

# UMzimkhulu

# Municipality



2016/2017

## BUDGET AND SUPPORTING DOCUMENTATION

24 March 2016

DRAFT BUDGET OF

# **UMzimkhulu Municipality**

2016/17 TO 2018/19  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

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- At [www.umzimkhululm.gov.za](http://www.umzimkhululm.gov.za)

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**NB:** All policies are on the Municipality website ([www.umzimkhululm.gov.za](http://www.umzimkhululm.gov.za))

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## Part 1 – Annual Budget

24 March 2016

### **Mayor's Speech**

#### **Introduction**

To the Honourable Speaker, EXCO members, Councillors, Amakhosi asendlunkulu, the Municipal Manager, Heads of Department, municipal officials and members of the community.

It is my pleasure, in my capacity as Mayor of the UMzimkhulu Local Municipality, to present the review of draft medium term revenue and expenditure framework (MTREF) and draft IDP for the 2016/2017 financial year.

The IDP serves as a single broad strategic guide of the broader community and residents of UMzimkhulu priority issues that government should implement in the term of Council. It also assists administration to prepare a medium term finance framework and annual budget that seek to allocate resources to address all these needs.

It is important to be mindful of alignment with all National, Provincial and Local Government imperatives. The IDP is not only a local government programme, but the delivery plan of entire government in a particular space.

The legislation governing the development, implementation and review of the IDP has been conceived in the constitutional spirit of a developmental state. In terms of the provisions of Local Government: Municipal Systems Act of 2000, each council must, within the prescribed period after the start of its elected term, adopt a single, inclusive, strategic plan for the development of the municipality.

Section 25(3) (a) prescribes that a newly elected council, may adopt the IDP of the previous council. In terms of Section 24, of the Local Government: Municipal Finance Management Act, (Act 56 of 2003) municipal council should at least 30 days before the start of the of a budget year consider approval of the annual budget.

It is therefore my pleasure to present the service delivery prioritized projects for 2016/2017 financial year

<b>UMzimkhulu Municipality Capital Project 2016/2017</b>	
<b><u>Budget Projections</u></b>	
<b><u>Projects</u></b>	<b><u>Budget</u></b>
Fencing of Cemeteries - Town	1 200 000.00
Lukhetheni Access Road	4 988 475.55
Esikhewini Access Road	2 503 715.73
Nozibhobo Access Road	2 544 840.24
Surfacing of Ibisi Township Roads	12 948 519.17
Magwala Access Road	4 691 032.62
Van Rank SMME Hub	3 271 183.37
Mbuzweni to Gijima Access Road	4 101 874.69
Umzimkhulu New Traffic Offices	3 493 398.63
MEMORIAL HALL INTERNAL FUNDED	7 000 000.00
OWN CAPITAL (OTHER FIXED ASSETS)	9 757 000.00
IT SOFTWARE AND HARDWARE (ASSETS)	1 400 000.00
INEP PROJECT, NDAWANA,KOFENI, KHILIVA AND BONDRAND	17 000 000.00
<b>Total</b>	<b>74 900 040.00</b>

PROJECTS PLANNED BY DEPARTMENTS, ESKOM, HARRY GWALA DISTRICT  
FOR 2016/2017 FINANCIAL YEAR

DEPARTMENT OF ROADS & TRANSPORT PLANNED FOR 2016/2017	
PROJECT NAME	BUDGET
Thembeni/Ibisi New Local Road (ward 20)	R 2M
Longkloof/ Mabhisana New Local Road (ward 15)	R 2M
Dulati/Masamini New Local Road (ward 4)	R 2M
Mafabela New Local Road (ward 6)	R 2M
Thornbush/Mabhisana Causeway (ward 15)	R 2.5M
Re-Gravelling of D2414 5KM (ward 10)	R 1M
D2419 5km (ward 14)	R 1.5M
Re-Gravelling of D2426 5km (ward 19)	R 1.5M
Re-Gravelling of D2416 5km (ward 18)	R 1.4M
Re-Gravelling of D2410 9km (ward 19)	R 2M
Re-Gravelling of D2420 5km (ward 20)	R 1.2M
Re-Gravelling of Re-Gravelling of D2422 3.73km (ward 20)	R 1M
Re-Gravelling of D634 7km (ward 1)	R 1.6M
Re-Gravelling of P601/1 6.5km (ward 4)	R 1.7M
Re-Gravelling of D2412 5km (ward 6)	R 1M
Re-Gravelling of P602 6km (ward 11)	R 1.4M
Re-Gravelling of 2406 7.5km (ward 9)	R 1.8M
Re-Gravelling of L2142 4km (Lukhasini) (ward 2)	R 1M
Re-Gravelling of L2288 4.48km (ward 2)	R 1M
Re-Gravelling of Mt Sheba L2158 4km (ward 4)	R 760

Re-Gravelling of Hilton L2266 3.12km	R 1M
<b>HARRY GWALA</b> <b>DISTRICT MUNICIPALITY PLANNED FOR 2016/2017</b>	
<b>PROJECT NAME</b>	<b>BUDGET</b>
Greater Umzimkhulu Sanitation Project	R 150M
Greater Summerfield Water Project	R 199M
KwaMay-Theekloof Water Supply Project (Ward 11,13 and 14)	R 44M
Greater Paninkukhu (Kwamthwane) Bulk Water Supply Project (Ward 6,7,8,9,10,12,13,14,18,19)	R 6M
Umzimkhulu Sewers Upgrade Phase 2 (Ward 16)	R 25M

**Eskom list of project planned for 2016/2017 are attached**

The application of sound financial management principles for the compilation of the UMzimkhulu Municipality budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Therefore in terms of section 16(1) (2) of the MFMA – when preparing the annual budget, the mayor of a municipality must:

*In terms of section 16 (1) of the MFMA states that the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*

*(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the financial year.*

Thus taking into account the provision of the MFMA as stated above, I present to all the draft MTREF for 2016/2017 to 2018/2019. The intention is to bring forth the highlights contained within the draft budget in its current form so as to facilitate a process of consultation leading to the compilation of a final budget for the 2016/2017 financial year. It is indeed our stated

intention, as the UMzimkhulu Local Municipality, that the draft budget for the 2016/2017 financial year be adopted to ensure that by the end of April or early May 2016 the final is adopted. It should be a product of rigorous review and extensive consultation such that the limited resources available are allocated towards satisfying the community's priorities and that the budget preparation process itself complies with relevant legislation.

Thus taking into account the legislation that regulates the entire budget preparation and approval processes, Council must, by the end of these proceedings, approve and adopt resolutions, in terms of section 24 of the MFMA, on the draft annual budget of the municipality for the financial year 2016/2017 and the multi-year and single-year capital appropriations and also the financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets as detailed in the municipality's MTREF document. The Council of UMzimkhulu Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000), must also approve and adopt with effect from 1 July 2016, the tariffs for property rates, the tariffs for solid waste services and the tariffs for other services.

The Municipality business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. The municipality is currently implementing the consultancy policy in order to adhere on the national outcry on the usage of consultancy in municipalities and currently reviewed budget related policies.

The UMzimkhulu Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring that people lead government.

National Treasury's MFMA Circular No 48, 51, 55, 58, 59, 66, 67, 70, 72, 74, 75 and 79 were used to guide the compilation of the 2016/17 MTREF.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- The unemployment in the community that we are serving, having a negative impact on the collection of revenue, and increasing number of indigents.
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;



- Decreased funding of capital projects resulting in cutting of some of the projects that were supposed to be done in this financial year, thus delaying the service delivery;
- The challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions, and
- Availability of funding

However given the above challenges faced by municipalities as a whole, the municipality has considered the national budget speech by Minister of Finance, where he highlighted the key measures;

- Improved revenue collection
- Intensification of cost-containment measures, in keeping with national guidelines.
- Back to basic programme launched in 2014, aimed at improving service delivery performance of municipalities, is entering its second phase of implementation. It involves active monitoring of performance in governance and service delivery, support to struggling municipality and stronger accountability measures.

#### The draft budget summary:

<b><u>Description</u></b>	<b><u>DRAFT BUDGET</u></b>
<b><u>2016/2017</u></b>	
OWN REVENUE	19 955 074.00
OPERATIONAL GRANTS	<u>183 437 960.00</u>
<b>TOTAL OPERATIONAL REVENUE</b>	<b><u>203 393 034.00</u></b>
<b><u>CAPITAL REVENUE</u></b>	
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	<u>39 743 040.00</u>
<b>TOTAL CAPITAL REVENUE</b>	<b><u>39 743 040.00</u></b>
<b>TOTAL REVENUE</b>	<b><u>243 136 074.00</u></b>
<b><u>OPERATIONAL EXPENDITURE</u></b>	
EMPLOYEE RELATED COSTS	60 215 032.00
REMUNERATION OF COUNCILLORS	15 712 327.00
DEPRECIATION & ASSET IMPAIRMENT	39 836 675.00
GENERAL EXPENSES	99 784 800.00
REPAIRS AND MAINTENANCE	15 190 000.00
CONTRIBUTION TO CAPITAL OUTLAY	<u>5 114 000.00</u>

<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b><u>235 852 834.00</u></b>
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**CAPITAL EXPENDITURE**

TRANSFERS RECOGNISED - CAPITAL (MIG)	39 743 040.00
MEMORIAL HALL INTERNAL FUNDED	7 000 000.00
OTHER FIXED ASSETS (INTERNALLY GENERATED FUND)	9 757 000.00
IT SOFTWARE AND HARDWARE	1 400 000.00
<b>TOTAL CAPITAL EXPENDITURE</b>	<b><u>57 900 040.00</u></b>
<b><u>TOTAL EXPENDITURE</u></b>	<b><u>293 752 874.00</u></b>
SURPLUS / (DEFICIT)	<u>(50 616 800.00)</u>

I would like to bring into your attention that the deficit is made up of the following:

**NON- CASH ITEMS**

DEPRECIATION	39 836 675
LEAVE RESERVE	600 000
PROVISION FOR BAD DEBTS	3 000 000
REBATES	4 046 800
INDIGENT SUPPORT (FBS)	<u>2 000 000</u>
	<u>49 483 475</u>

**FROM RESERVES**

MEMORIAL HALL	7 000 000
PROVISION FOR COMM SITES & OFFICES	5 000 000
HUMAN SETTLEMENT INTEREST	<u>5 600 000</u>
	<u>17 600 000</u>

Therefore this indicates that the deficit is cash backed.

**Overview:**

**The property rates tariffs** will not be increased in the financial 2016/2017, however the tariffs for services will be increased by the estimated CPI of 6.6 percent.

**The municipal systems improvement grant** has been reconfigured as an indirect grant from 2016/17 to help poorly performing municipalities with revenue collection, performance management and record keeping, meaning that the grant will no longer be transferred to municipalities but transferred direct to Cogta. However the municipality will be submitting business plans for assistants on revenue collection.

**Cost containment measures;** it should be noted that the municipality has made some strides in order to adhere to cost containment measures as were re-emphasised in the 2016 State of the Nation Address by the President and by The Minister of Finance in his budget speech. The municipality will carry on looking at some expenditures that can be reduced and develop a cost containment measures plan as required by MFMA circular 79.

**Revenue enhancement strategy;** the municipality is currently implementing the strategy and will be striving to ensure that the municipal vision is achieved by enforcing by-laws and policies in order to improve revenue collection.

**Disaster sector plan;** the municipality has experienced a disaster tragedy, where many families were left homeless, therefore the municipality has reviewed its disaster sector plan that needs to be adopted by the council. The municipality will procure the lightning conductors and satellite fire house.

It should also be noted that the municipality has improved on the service delivery and on revenue collection. It is my great pleasure to inform you honourable members of the council, ladies and gentlemen that the municipality will always strive to continue with tremendous improvement in all the municipal aspects.

Honourable members of the council, ladies and gentlemen, May I take this opportunity to thank you for your attentiveness and your contribution in the on-going development of UMzimkhulu.

Thank you

**Councillor M. Mpabanga**  
**Mayor of UMzimkhulu Municipality**

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## 1.1 Council Resolutions

On 24 March 2016 the Council of UMzimkhulu Municipality met in the Council Chambers of UMzimkhulu Municipality to consider the draft annual budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1. The Council of UMzimkhulu Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The Final budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 5 on page 29
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 6 on page 30;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 7 on page 31; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 8 on page 33.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 9 on page 35;
    - 1.2.2. Budgeted Cash Flows as contained in Table 10 on page 37;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 11 on page 38;
    - 1.2.4. Asset management as contained in Table 12 on page 39;
    - 1.2.5. Basic service delivery measurement as contained in Table 13 on page 41; and
    - 1.2.6. Services Delivery standard as contained in Table 50 on page 113.
2. The Council of uMzimkhulu Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:
  - 2.1. the tariffs for property rates – as set out in Annexure A,
  - 2.2. the tariffs for solid waste services – as set out in Annexure B
3. The Council of uMzimkhulu Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for other services, as set out in Annexures
4. To give proper effect to the municipality's annual budget, the Council of uMzimkhulu Local Municipality approves:
  - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

## 1.2 Executive Summary

The application of sound financial management principles for the compilation of the UMzimkhulu Municipality financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

The UMzimkhulu Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 78 and 79 were used to guide the compilation of the 2016/17 MTREF.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- The unemployment in the community that we are serving, having a negative impact on the collection of revenue, and increasing number of indigents.
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Decreased funding of capital projects resulting in cutting of some of the projects that were supposed to be done in the 2016/17 financial year, thus delaying the service delivery; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

<b>Consolidated overview for the 2016/2017</b>	<b>6.6%</b>	<b>6.2%</b>	<b>5.9%</b>
	<b>Budget Year 2016/2017</b>	<b>Budget Year Outer Year +1 2017/2018</b>	<b>Budget Year Outer Year +2 2018/2019</b>
<b>Revenue</b>			
<b>Own Revenue</b>	19 955 079	21 192 289	22 442 634
<b>Operational Grants</b>	<b>183 437 960</b>	<b>178 975 640</b>	<b>198 649 200</b>
<b>TOTAL OPERATIONAL REVENUE</b>	<b>203 393 039</b>	<b>200 167 929</b>	<b>221 091 834</b>
Capital Grants -MIG	39 743 040	42 591 360	44 932 800
<b>TOTAL REVENUE</b>	<b>243 136 079</b>	<b>242 759 289</b>	<b>266 024 634</b>
<b>EXPENDITURE</b>			
General Expenses	144 735 475	137 159 074	154 661 460
Salaries	75 927 359	81 242 274	87 254 202
Repairs & Maintenance	15 190 000	16 131 780	17 083 555
<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b>235 852 834</b>	<b>234 533 128</b>	<b>258 999 217</b>
Capital Grants	39 743 040	42 591 360	44 932 800
Internal Generated Fund	18 157 000		
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>57 900 040</b>	<b>42 591 360</b>	<b>44 932 800</b>
<b>TOTAL EXPENDITURE</b>	<b>293 752 874</b>	<b>277 124 488</b>	<b>303 932 017</b>

Total operating revenue has grown by 2 per cent or R3.8 million for the 2016/17 financial year when compared to the 2015/16 Final Budget. For the two outer years, operational revenue will increase by 6.2 and 5.9 per cent respectively, equating to a total revenue growth of R18 million over the MTREF when compared to the 2015/16 financial year.

Total operating expenditure for the 2016/17 financial year has been appropriated at R30 million when compared to the 2015/16 Final Budget, operational expenditure has grown by 13 per cent in the 2015/16 budget and by 6.2 and 5.9 per cent for each of the respective outer years of the MTREF.

The own funded capital was budgeted at R17.8 million in the previous year and is now budget at R18.1 million this amount will be utilised to procure a truck ,tractor ,rescue-van and completion of memorial hall.

The capital budget of R39 million for 2016/17 is 7 per cent less when compared to the 2015/16 Final Budget. This decrease is due to the allocation for the Electrification Grant moved to operational grants because once the municipality capitalised it is transferred to Eskom. Neighbourhood grant and Small Towns Development Grants does not have any budget for 2016/2017.

The outer years increases to R42 million in the 2017/18 and R44 million in 2018/19. Consequently, the capital budget remains relatively flat over the medium-term.

### **1.3 Operating Revenue Framework**

For UMzimkhulu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 30 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

**Table 2. Summary revenue classified by main source**

KZN435 Umzimkhulu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Table A: Budgeted Financial Performance (Revenue and Expenditure)											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
<b>Revenue By Source</b>											
Property rates	2	5 905	6 719	6 539	7 922	10 380	10 380	10 380	10 380	11 023	11 674
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	1 337	1 331	765	786	830	830	830	830	881	933
Service charges - other											
Rental of facilities and equipment		593	1 088	1 120	1 147	1 081	1 081	1 081	1 131	1 201	1 272
Interest earned - external investments		2 667	2 988	3 993	3 887	4 532	4 532	4 532	4 000	4 248	4 499
Interest earned - outstanding debtors		543	147	217	250	100	100	100	120	127	135
Dividends received											
Fines		429	532	1 039	1 000	900	900	900	900	956	1 012
Licences and permits		211	273	645	375	420	420	420	450	478	506
Agency services											
Transfers recognised - operational		90 710	101 530	123 116	178 247	178 247	178 247	178 247	183 438	178 976	198 649
Other revenue	2	1 394	4 834	3 478	2 337	3 030	3 030	3 030	2 144	2 277	2 411
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		103 788	119 442	140 913	195 951	199 520	199 520	199 520	203 393	200 168	221 092



KZN435 Umzimkhulu Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Supporting indicators</b>												
% incr <i>total service charges (incl prop rates)</i>	18(1)a			11.2%	(9.3%)	19.2%	28.7%	0.0%	0.0%	0.0%	6.2%	
% incr Property Tax	18(1)a			13.8%	(2.7%)	21.1%	31.0%	0.0%	0.0%	0.0%	6.2%	
% incr Service charges - electricity revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
% incr Service charges - water revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
% incr Service charges - sanitation revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
% incr Service charges - refuse revenue	18(1)a			(0.5%)	(42.5%)	2.7%	5.6%	0.0%	0.0%	0.0%	6.2%	
% incr in Service charges - other	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total billable revenue	18(1)a		7 241	8 049	7 304	8 708	11 210	11 210	11 210	11 210	11 905	
Service charges			7 241	8 049	7 304	8 708	11 210	11 210	11 210	11 210	11 905	
Property rates			5 905	6 719	6 539	7 922	10 380	10 380	10 380	10 380	11 023	
Service charges - electricity revenue			-	-	-	-	-	-	-	-	-	
Service charges - water revenue			-	-	-	-	-	-	-	-	-	
Service charges - sanitation revenue			-	-	-	-	-	-	-	-	-	
Service charges - refuse removal			1 337	1 331	765	786	830	830	830	830	881	
Service charges - other			-	-	-	-	-	-	-	-	-	
Rental of facilities and equipment			593	1 088	1 120	1 147	1 081	1 081	1 081	1 131	1 201	
Capital expenditure excluding capital grant funding			12 490	11 928	6 838	17 850	42 320	42 320	42 320	18 157	-	
Cash receipts from ratepayers	18(1)a		10 742	15 901	14 688	12 348	15 071	15 071	15 071	14 266	15 150	
Ratepayer & Other revenue	18(1)a		10 411	14 924	13 804	13 817	16 740	16 740	16 740	15 955	16 944	
Change in consumer debtors (current and non-current)			(4 963)	(1 238)	(8 600)	6 386	6 386	6 386	6 386	962	920	
Operating and Capital Grant Revenue	18(1)a		183 386	187 737	194 112	218 546	220 546	220 546	220 546	223 181	221 567	
Capital expenditure - total	20(1)(vi)		86 055	95 702	80 459	58 149	84 619	84 619	84 619	57 900	42 591	
Capital expenditure - renewal	20(1)(vi)		-	-	-	2 500	-	-	-	3 000	-	
<b>Supporting benchmarks</b>												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
CPI guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	
DoRA operating grants total MFY										180 517	175 881	
DoRA capital grants total MFY										41 399	44 366	
Provincial operating grants										1 265	1 320	
Provincial capital grants												
District Municipality grants												
Total gazetted/advised national, provincial and district grants										223 181	221 567	
Average annual collection rate (arrears inclusive)												

**Table 2 Percentage Growth in revenue by main revenue source**

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than 4.4% of the total revenue mix. In the 2015/2016 financial year, revenue from rates and services charges totalled R11.2 million or 5 per cent. This increases to R11.2 million, R11.9 million and R12.6 million in the respective financial years of the MTREF.

The second least sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R178 million in the 2015/16 financial year and increases to R183 million by 2016/17. Note that the year-on-year growth for the 2016/17 financial year is 2 per cent and then decreases by 2 and increases 10 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term

**Table 5 Operating Transfers and grants receipts**

KZN435 Umzimkhulu - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		90 525	102 206	122 430	177 503	164 503	176 503	182 173	177 656	197 273
Local Government Equitable Share		85 299	96 838	116 142	151 222	151 222	151 222	152 393	163 981	173 501
Finance Management		1 500	1 650	1 800	1 800	1 800	1 800	1 825	1 900	1 900
Integrated National Electrification Programme					20 000	7 000	19 000	25 000	10 000	20 000
EPWP Incentive		1 000	1 000	1 913	1 872	1 872	1 872	1 299	-	-
Municipal Systems Improvement		800	890	934	930	930	930	-	-	-
MIG Admin cost 4% of R41 399 000		1 926	1 828	1 641	1 679	1 679	1 679	1 656	1 775	1 872
Provincial Government:		359	653	681	744	744	744	1 265	1 320	1 376
Community Library Services Grant		359	139	146	191	191	191	380	400	419
Provincialisation of Libraries			514	535	553	553	553	885	920	957
District Municipality: [insert description]		-	-	-	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	90 884	102 859	123 111	178 247	165 247	177 247	183 438	178 976	198 649
<b>Capital Transfers and Grants</b>										
National Government:		71 497	70 610	70 396	40 299	40 299	40 299	39 743	42 591	44 933
Municipal Infrastructure Grant (MIG)		48 144	43 879	39 392	40 299	40 299	40 299	39 743	42 591	44 933
Neighbourhood Development Partnership		13 353	11 731	16 000						
Integrated National Electrification Programme		10 000	15 000	15 004						
Provincial Government:		-	-	8 000	-	2 000	2 000	-	-	-
Small Town Rehabilitation SMME Electrification				8 000	-	2 000	2 000			
District Municipality: Electrification		-	-	3 000	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	71 497	70 610	81 396	40 299	42 299	42 299	39 743	42 591	44 933
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		162 381	173 469	204 507	218 546	207 546	219 546	223 181	221 567	243 582

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

### **1.3.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, The UMzimkhulu Council has decided to increase the amount of R15 000 to R50 000, which amount is roughly equivalent to the Department of Housing subsidy for low cost housing units. This means that values of all residential properties will be reduced by R50 000 before property rates are calculated for each property.
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- 100 per cent rebate is also granted on the places of worship (churches).
- Any organisation that is registered as a Public Benefit Organisation, in terms of the Income Tax Act, will be granted a 100% rebate
- For Public Service Infrastructure in the first year, be no more than 80 per cent of the rate for that year otherwise applicable to that property.

- state properties will be entitled to a 10% rebate
- Rural residential will be granted 21% rebate.
- Current resolution is to grant business & commercial 60% on their current market values until the current General valuation Roll expires and rural commercial 40% rebates
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 25 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2016/17 financial year - from 1 July 2016 is contained below:

**Table 1 Comparison of approved rates to levied for the 2016/17 financial year**

Category	Current Tariff (1 July 2015)	Proposed tariff (from 1 July 2016)
	<b>C</b>	<b>C</b>
Residential properties	0,0088	0.0088
Vacant Residential	0.017	0.017
Commercial	0.0135	0.0135
Vacant Commercial	0.022	0.022
Place of worship	0.0088	0.0088
Industrial	0.0135	0.0135
Vacant Industrial	0.022	0.022
State owned properties	0.0088	0.0088
Communal Land	0.0021	0.0021
Farms Smallholding Agriculture	0.0135	0.0135
Agricultural	0.0135	0.0135
Farms	0.0135	0.0135
Public Service Infrastructure	0.0021	0.0021
Place of worship	0	0
Other	0.0088	0.0088

### 1.3.2 Waste Removal and Impact of Tariff Increases

Based on the activity plan that the municipality has done it was evident that the municipality is providing its services to the community at a profit, which serves as a surety that the municipality will be able to continuously meet its mandate to provide service delivery to UMzimkhulu Community.

After considering all the factors, the municipality has decided to levy 6.6% increase in rates. In reaching this decision, the municipality has been mindful of affordability for ratepayers and has kept the increase below the official consumer price index and has reduced expenditure in order to make a below inflation increase sustainable.

A 6.6 per cent increase in the waste removal tariff was adopted in the 2016/17 financial year.

The following table compares current (2015/2016) and New Tariffs payable from 1 July 2016:

Category	Current Tariff (1 July 2015)	Effective tariff (from 1 July 2016)
<b>REFUSE</b>		
Domestic once off collection of refuse per week	R51	R 54
Domestic twice collection of refuse per week	R 102	R 109
Business (small & medium)	R 186	R 198
Large Institution/Business	R1 542	R 1 643

## 1.4 Operating Expenditure Framework

The Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level of the 2016/17 budget MTREF (Classified per main type of operating expenditure).

**Table 8 Summary of operating expenditure by standard classification item**

Table 6 Summary of operating expenditure by standard classification item											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Expenditure By Type											
Employee related costs	2	32 555	39 719	45 636	50 011	56 492	56 492	56 492	60 215	64 430	69 198
Remuneration of councillors		10 578	13 190	13 676	14 968	14 798	14 798	14 798	15 712	16 812	18 056
Debt impairment	3	2 965	273	7 966	63	63	63	63	3 000	3 186	3 374
Depreciation & asset impairment	2	31 949	15 384	34 984	36 965	39 837	39 837	39 837	39 837	42 307	44 803
Finance charges		124	228	-	900	900	900	900	60	64	67
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8										
Contracted services		6 075	9 345	-	6 852	7 279	7 279	7 279	6 874	7 300	7 731
Transfers and grants		685	2 928	-	23 900	23 900	23 900	23 900	30 622	15 970	26 322
Other expenditure	4, 5	45 208	40 155	71 034	71 702	68 372	68 372	68 372	79 533	84 465	89 448
Loss on disposal of PPE											
Total Expenditure		130 137	121 223	173 295	205 360	211 640	211 640	211 640	235 853	234 533	258 999

The budgeted allocation for employee related costs for the 2016/17 financial year totals R75 million, which equals 32 per cent of the total operating expenditure. Based on the new MFMA Circular 75 released on the 04 March 2015, salary increases have been factored into this budget at a percentage

increase of 6.5 per cent for the 2016/17 financial year. An annual increase of 7 and 7.4 per cent has been included in the two outer years of the MTREF. As part of the UMzimkhulu municipality cost reprioritisation and cash management strategy, vacancies have been significantly rationalised downwards.

The cost associated with the remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the UMzimkhulu municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R39.8 million for the 2016/17 financial and equates to 17 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

A contracted service has been identified as a cost saving area for the Municipality. As part of the compilation of the 2016/17 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2016/17 financial year, this group of expenditure totals R6.8 million, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 6.2 and 5.9 per cent. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2016/17 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 6.5 per cent for 2016/17 and curbed at 6.2 and 5.9 per cent for the two outer years, indicating that significant cost savings have been already realised.

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2016/17 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:



The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 2 Repairs and maintenance per asset class**

Description	R ef	2012/1 3	2013/1 4	2014/ 15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audite d Outco me	Audite d Outco me	Audit ed Outco me	Origin al Budge t	Adjust ed Budge t	Full Year Foreca st	Budge t Year 2016/1 7	Budge t Year +1 2017/1 8	Budge t Year +2 2018/1 9
R thousand	1									
<u>Repairs and maintenance expenditure by Asset Class/Sub- class</u>										
-										
<u>Infrastructure</u>		4 666	3 884	-	8 250	7 665	7 665	10 000	10 620	11 247
Infrastructure - Road transport		4 666	2 986	-	6 250	5 665	5 665	8 500	9 027	9 560
<i>Roads, Pavements &amp; Bridges</i>		4 666	2 986		6 250	5 665	5 665	8 500	9 027	9 560
<i>Storm water</i>										
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>										
<i>Street Lighting</i>										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
<i>Dams &amp; Reservoirs</i>										
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>										
<i>Sewerage purification</i>										
Infrastructure - Other		-	898	-	2 000	2 000	2 000	1 500	1 593	1 687
<i>Waste Management</i>			866							
<i>Transportation</i>	2									
<i>Gas</i>										
<i>Other</i>	3		33		2 000	2 000	2 000	1 500	1 593	1 687
<u>Community</u>		44	586	-	2 500	2 000	2 000	2 300	2 443	2 587
Parks & gardens										
Sportsfields & stadia			78		1 000	1 000	1 000	1 000	1 062	1 125
Swimming pools									-	-
Community halls		44	508		1 000	1 000	1 000	750	797	843
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										

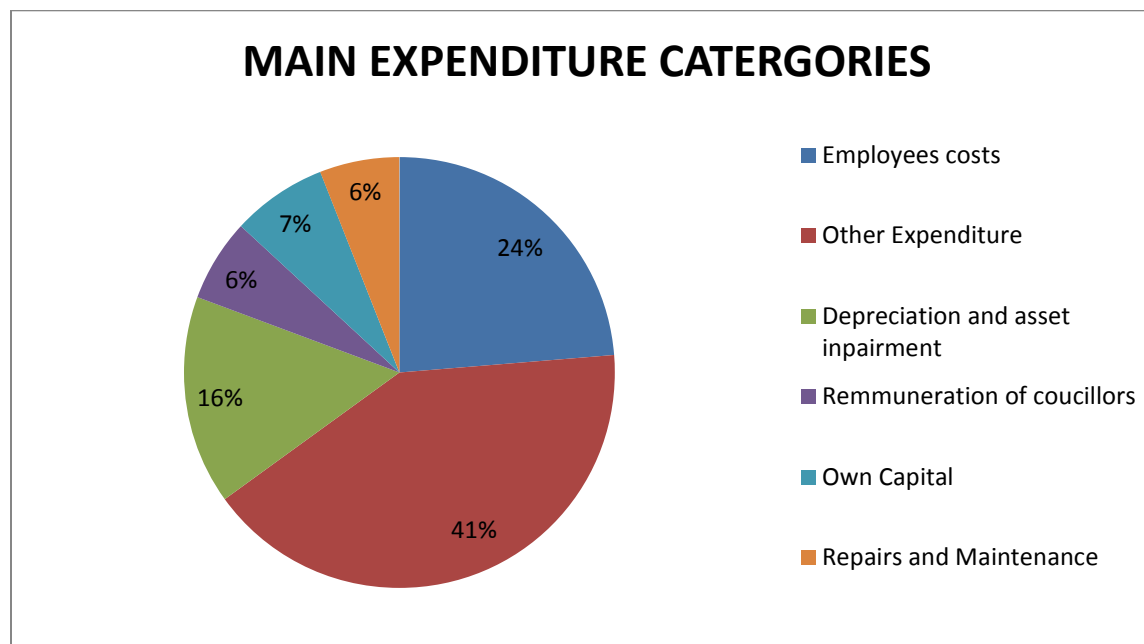
Museums & Art Galleries	8								
Cemeteries									
Social rental housing	8								
Other				500			550	584	619
<b>Heritage assets</b>	9	-	-	-	-	-	-	-	-
Buildings									
Other	9								
<b>Investment properties</b>		-	-	-	-	-	-	-	-
Housing development									
Other									
<b>Other assets</b>	10	132	1 420	-	2 940	2 440	2 440	2 890	3 069
General vehicles		126	534	-	650	950	950	750	797
Specialised vehicles	10	-	-	-	-	-	-	-	-
Plant & equipment			89		300			300	319
Computers - hardware/equipment									
Furniture and other office equipment		6	178		490	490	490	340	361
Abattoirs									
Markets									
Civic Land and Buildings									
Other Buildings			620		1 500	1 000	1 000	1 500	1 593
Other Land									
Surplus Assets - (Investment or Inventory)									
Other									
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-
List sub-class									
<b>Biological assets</b>		-	-	-	-	-	-	-	-
List sub-class									
<b>Intangibles</b>		-	-	-	-	-	-	-	-
Computers - software & programming									
Other (list sub-class)									
<b>Total Repairs and Maintenance Expenditure</b>	1	4 841	5 891	-	13 690	12 105	12 105	15 190	16 132

<b>Specialised vehicles</b>		-	-	-	-	-	-	-	-
Refuse									
Fire									
Conservancy									
Ambulances									
<b>R&amp;M as a % of PPE</b>		1.3%	1.4%	0.0%	2.5%	2.3%	2.6%	3.1%	3.1%

<i>R&amp;M as % Operating Expenditure</i>		3.7%	4.9%	0.0%	6.7%	5.7%	5.7%	6.4%	6.9%	6.6%
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For the 2016/17 financial year, 26 per cent or R15 million of total repairs and maintenance will be spent on infrastructure assets.

The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.



#### 1.4.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 200 or more indigent households during the 2016/17 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

During the compilation of the 2016/17 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance.

## 1.5 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 3 2016/17 Medium-term capital budget per vote**

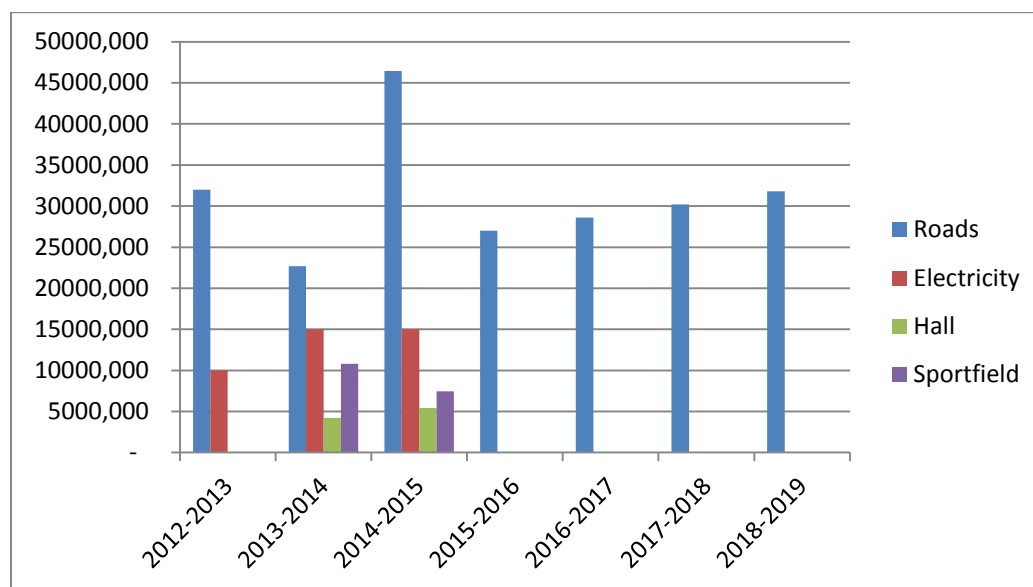
KZN435 Umzimkhulu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Funded by:</b>											
National Government		72 565	72 074	62 061	40 299	40 299	40 299	40 299	39 743	42 591	44 933
Provincial Government		1 000	11 700	8 559		2 000	2 000	2 000			
District Municipality				3 000							
Other transfers and grants											
Transfers recognised - capital	4	73 565	83 774	73 620	40 299	42 299	42 299	42 299	39 743	42 591	44 933
Public contributions & donations	5										
Borrowing	6										
Internally generated funds			11 928	6 838	17 850	42 320	42 320	42 320	18 157		
<b>Total Capital Funding</b>	<b>7</b>	<b>73 565</b>	<b>95 702</b>	<b>80 459</b>	<b>58 149</b>	<b>84 619</b>	<b>84 619</b>	<b>84 619</b>	<b>57 900</b>	<b>42 591</b>	<b>44 933</b>

For 2016/17 an amount of R46 million has been appropriated for the development of infrastructure which represents 80 per cent of the total capital budget. In the outer years this amount totals R42 million, 100 per cent and R44 million, 100 per cent for each of the financial years. Transport and roads receives the highest allocation of R32 million in 2016/17 which equates to 56 per cent, Neighbourhood, Small Town Development did not receive any allocation and other fixed assets all together are followed by 32%.

Total new assets represent 95 per cent or R54 million of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 12 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to Schedules).

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF



**Figure 1 Capital Infrastructure Programme**

### 1.5.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 43 MBRR SA35. This table shows that future operational costs associated with the capital programme totals R57 million in 2016/17 and decrease to R44 million by 2018/19. This concomitant operational expenditure is expected to escalate to R16 million by 2017/18. It needs to be noted that as part of the 2016/17 MTREF, this expenditure has been factored into the two outer years of the operational budget.

## 1.6 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 4 MBRR Table A1 - Budget Summary**

KZN435 Umzimkhulu - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>										
<b><u>Financial Performance</u></b>										
Property rates	5 905	6 719	6 539	7 922	10 380	10 380	10 380	10 380	11 023	11 674
Service charges	1 337	1 331	765	786	830	830	830	830	881	933
Investment revenue	2 667	2 988	3 993	3 887	4 532	4 532	4 532	4 000	4 248	4 499
Transfers recognised - operational	90 710	101 530	123 116	178 247	178 247	178 247	178 247	183 438	178 976	198 649
Other own revenue	3 170	6 875	6 499	5 109	5 531	5 531	5 531	4 745	5 039	5 337
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>103 788</b>	<b>119 442</b>	<b>140 913</b>	<b>195 951</b>	<b>199 520</b>	<b>199 520</b>	<b>199 520</b>	<b>203 393</b>	<b>200 168</b>	<b>221 092</b>
Employee costs	32 555	39 719	45 636	50 011	56 492	56 492	56 492	60 215	64 430	69 198
Remuneration of councillors	10 578	13 190	13 676	14 968	14 798	14 798	14 798	15 712	16 812	18 056
Depreciation & asset impairment	31 949	15 384	34 984	36 965	39 837	39 837	39 837	39 837	42 307	44 803
Finance charges	124	228	–	900	900	900	900	60	64	67
Materials and bulk purchases	–	–	–	–	–	–	–	–	–	–
Transfers and grants	685	2 928	–	23 900	23 900	23 900	23 900	30 622	15 970	26 322
Other expenditure	54 247	49 773	78 999	78 617	75 714	75 714	75 714	89 407	94 950	100 552
<b>Total Expenditure</b>	<b>130 137</b>	<b>121 223</b>	<b>173 295</b>	<b>205 360</b>	<b>211 640</b>	<b>211 640</b>	<b>211 640</b>	<b>235 853</b>	<b>234 533</b>	<b>258 999</b>
<b>Surplus/(Deficit)</b>	<b>(26 349)</b>	<b>(1 781)</b>	<b>(32 382)</b>	<b>(9 409)</b>	<b>(12 121)</b>	<b>(12 121)</b>	<b>(12 121)</b>	<b>(32 460)</b>	<b>(34 365)</b>	<b>(37 907)</b>
Transfers recognised - capital	92 677	86 207	70 995	40 299	42 299	42 299	42 299	39 743	42 591	44 933
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>66 327</b>	<b>84 426</b>	<b>38 613</b>	<b>30 890</b>	<b>30 178</b>	<b>30 178</b>	<b>30 178</b>	<b>7 283</b>	<b>8 226</b>	<b>7 025</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>66 327</b>	<b>84 426</b>	<b>38 613</b>	<b>30 890</b>	<b>30 178</b>	<b>30 178</b>	<b>30 178</b>	<b>7 283</b>	<b>8 226</b>	<b>7 025</b>
<b><u>Capital expenditure &amp; funds sources</u></b>										
<b>Capital expenditure</b>	<b>73 565</b>	<b>95 702</b>	<b>80 459</b>	<b>58 149</b>	<b>84 619</b>	<b>84 619</b>	<b>84 619</b>	<b>57 900</b>	<b>42 591</b>	<b>44 933</b>
Transfers recognised - capital	73 565	83 774	73 620	40 299	42 299	42 299	42 299	39 743	42 591	44 933
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	11 928	6 838	17 850	42 320	42 320	42 320	18 157	–	–
<b>Total sources of capital funds</b>	<b>73 565</b>	<b>95 702</b>	<b>80 459</b>	<b>58 149</b>	<b>84 619</b>	<b>84 619</b>	<b>84 619</b>	<b>57 900</b>	<b>42 591</b>	<b>44 933</b>
<b><u>Financial position</u></b>										
Total current assets	59 886	67 926	101 781	73 913	100 093	100 093	100 093	95 632	101 561	107 553
Total non current assets	396 858	451 332	462 864	589 337	563 157	511 701	511 701	531 947	564 927	598 258
Total current liabilities	23 105	20 959	41 417	16 969	16 969	16 969	16 969	10 124	10 752	11 386
Total non current liabilities	1 955	2 490	3 375	2 500	2 500	2 500	2 500	2 500	2 655	2 812
Community wealth/Equity	431 684	495 809	519 853	643 781	643 781	592 325	592 325	614 954	653 081	691 613
<b><u>Cash flows</u></b>										
Net cash from (used) operating	91 009	102 171	99 657	75 010	76 544	76 544	76 544	52 477	56 222	57 853
Net cash from (used) investing	(86 349)	(92 892)	(67 202)	(58 749)	(84 619)	(84 619)	(84 619)	(57 900)	(42 591)	(44 933)
Net cash from (used) financing	–	–	10 000	(10 000)	–	–	–	–	–	–
<b>Cash/cash equivalents at the year end</b>	<b>42 550</b>	<b>51 828</b>	<b>94 283</b>	<b>60 029</b>	<b>86 209</b>	<b>86 209</b>	<b>86 209</b>	<b>80 786</b>	<b>94 417</b>	<b>107 338</b>
<b><u>Cash backing/surplus reconciliation</u></b>										
Cash and investments available	42 550	51 828	94 283	60 029	86 209	86 209	86 209	80 786	85 795	90 857
Application of cash and investments	8 937	3 808	23 439	3 639	124 531	124 531	124 531	21 100	22 408	23 730
<b>Balance - surplus (shortfall)</b>	<b>33 613</b>	<b>48 020</b>	<b>70 844</b>	<b>56 390</b>	<b>(38 322)</b>	<b>(38 322)</b>	<b>(38 322)</b>	<b>59 686</b>	<b>63 387</b>	<b>67 127</b>
<b><u>Asset management</u></b>										
Asset register summary (WDV)	393 910	448 384	31 648	28 994	541 872	541 872	395 835	395 835	420 377	445 179
Depreciation & asset impairment	31 949	15 384	34 984	36 965	39 837	39 837	39 837	39 837	42 307	44 803
Renewal of Existing Assets	–	–	–	2 500	–	–	–	3 000	–	–
Repairs and Maintenance	4 841	5 891	–	13 690	12 105	12 105	15 190	15 190	16 132	17 084
<b><u>Free services</u></b>										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	35	50	–	4 766	4 766	4 766	4 766	4 766	4 766	5 061
<b><u>Households below minimum service level</u></b>										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sew erage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	2	2	–	2	2	2	2	2	2	2

**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2016/17, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

**Table 5 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

KZN435 Umzimkhulu - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		53 521	66 000	74 519	90 880	94 228	94 228	92 841	99 629	105 318
Executive and council		17 298	23 414	21 916	30 244	30 244	30 244	30 479	32 796	34 700
Budget and treasury office		23 410	28 996	32 758	37 953	40 855	40 855	39 504	42 236	44 592
Corporate services		12 812	13 589	19 845	22 683	23 129	23 129	22 859	24 597	26 025
<i>Community and public safety</i>		13 502	15 257	18 794	25 069	25 389	25 389	25 540	27 400	28 973
Community and social services		13 502	15 257	18 794	25 069	25 389	25 389	25 540	27 400	28 973
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		128 051	38 578	117 831	79 216	79 116	79 116	84 182	72 258	85 868
Planning and development		6 967	8 974	12 602	13 986	13 946	13 946	13 937	14 888	15 752
Road transport		121 084	29 604	105 229	65 230	65 171	65 171	70 244	57 370	70 116
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		1 337	736	765	786	786	786	830	881	933
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		1 337	736	765	786	786	786	830	881	933
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	196 410	120 570	211 908	195 951	199 520	199 520	203 393	200 168	221 092
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		60 350	65 379	84 673	82 997	79 975	79 975	87 537	92 965	98 450
Executive and council		26 922	27 732	44 645	32 432	33 059	33 059	33 776	35 870	37 987
Budget and treasury office		16 330	18 491	18 588	26 363	23 661	23 661	27 781	29 503	31 244
Corporate services		17 098	19 156	21 440	24 202	23 254	23 254	25 980	27 591	29 219
<i>Community and public safety</i>		17 727	16 659	20 207	21 650	23 891	23 891	29 982	31 841	33 720
Community and social services		17 727	16 659	20 207	21 650	23 891	23 891	29 982	31 841	33 720
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		52 006	40 520	68 415	99 944	104 645	104 645	117 356	124 632	131 985
Planning and development		6 690	9 095	8 071	13 807	14 122	14 122	22 640	24 044	25 462
Road transport		45 316	31 426	60 344	86 136	90 523	90 523	94 716	100 588	106 523
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	770	770	770	977	1 038	1 099
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	770	770	770	977	1 038	1 099
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	130 083	122 558	173 295	205 360	209 281	209 281	235 853	250 476	265 254
<b>Surplus/(Deficit) for the year</b>		66 327	(1 988)	38 613	(9 409)	(9 761)	(9 761)	(32 460)	(50 308)	(44 162)



## Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 7 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

**Table 6 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>										
<b>Revenue by Vote</b>	<b>1</b>									
Vote 1 - EXECUTIVE&COUNCIL		14 330	17 298	23 390	21 122	22 142	22 142	30 244	32 029	33 822
Vote 2 - BUDGET & TREASURY OFFICE		42 072	23 410	27 772	31 844	33 029	33 029	37 953	40 192	42 442
Vote 3 - CORPORATE SERVICES		7 288	12 812	13 589	19 422	19 453	19 453	22 683	24 022	25 367
Vote 4 - COMMUNITY & SOCIAL SERVICES		9 554	14 839	15 993	18 758	19 984	19 984	25 855	27 380	28 914
Vote 5 - STRATEGIC PLANNING		21 534	6 967	9 095	11 784	11 800	11 800	13 986	14 811	15 641
Vote 6 - INFRASTRUCTURE		64 449	121 084	115 811	105 516	130 235	130 235	105 529	112 630	118 888
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>2</b>	<b>159 227</b>	<b>196 410</b>	<b>205 649</b>	<b>208 445</b>	<b>236 643</b>	<b>236 643</b>	<b>236 250</b>	<b>251 063</b>	<b>265 073</b>
<b>Expenditure by Vote to be appropriated</b>	<b>1</b>									
Vote 1 - EXECUTIVE&COUNCIL		19 559	26 922	28 015	28 155	30 535	30 535	32 432	34 345	36 268
Vote 2 - BUDGET & TREASURY OFFICE		22 300	16 330	15 633	24 923	24 762	24 762	26 363	27 918	29 482
Vote 3 - CORPORATE SERVICES		15 514	17 098	19 156	26 382	23 715	23 715	24 202	25 630	27 065
Vote 4 - COMMUNITY & SOCIAL SERVICES		16 951	17 727	18 019	22 171	21 245	21 245	21 650	22 927	24 211
Vote 5 - STRATEGIC PLANNING		6 253	6 690	8 974	12 774	12 613	12 613	13 807	14 622	15 441
Vote 6 - INFRASTRUCTURE		49 815	45 316	31 426	44 892	39 206	39 206	86 906	92 034	97 188
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>130 391</b>	<b>130 083</b>	<b>121 223</b>	<b>159 297</b>	<b>152 076</b>	<b>152 076</b>	<b>205 360</b>	<b>217 477</b>	<b>229 655</b>
<b>Surplus/(Deficit) for the year</b>	<b>2</b>	<b>28 836</b>	<b>66 327</b>	<b>84 426</b>	<b>49 148</b>	<b>84 567</b>	<b>84 567</b>	<b>30 890</b>	<b>33 586</b>	<b>35 418</b>

## Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit

## Table 7 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

KZN435 Umzimkhulu - Table A4 Budgeted Financial Performance (revenue and expenditure)

KZN435 Umzimkhulu - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>											
Property rates	2	5 905	6 719	6 539	7 922	10 380	10 380	10 380	10 380	11 023	11 674
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	1 337	1 331	765	786	830	830	830	830	881	933
Service charges - other											
Rental of facilities and equipment		593	1 088	1 120	1 147	1 081	1 081	1 081	1 131	1 201	1 272
Interest earned - external investments		2 667	2 988	3 993	3 887	4 532	4 532	4 532	4 000	4 248	4 499
Interest earned - outstanding debtors		543	147	217	250	100	100	100	120	127	135
Dividends received											
Fines		429	532	1 039	1 000	900	900	900	900	956	1 012
Licences and permits		211	273	645	375	420	420	420	450	478	506
Agency services											
Transfers recognised - operational		90 710	101 530	123 116	178 247	178 247	178 247	178 247	183 438	178 976	198 649
Other revenue	2	1 394	4 834	3 478	2 337	3 030	3 030	3 030	2 144	2 277	2 411
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		103 788	119 442	140 913	195 951	199 520	199 520	199 520	203 393	200 168	221 092
<b>Expenditure By Type</b>											
Employee related costs	2	32 555	39 719	45 636	50 011	56 492	56 492	56 492	60 215	64 430	69 198
Remuneration of councillors		10 578	13 190	13 676	14 968	14 798	14 798	14 798	15 712	16 812	18 056
Debt impairment	3	2 965	273	7 966	63	63	63	63	3 000	3 186	3 374
Depreciation & asset impairment	2	31 949	15 384	34 984	36 965	39 837	39 837	39 837	39 837	42 307	44 803
Finance charges		124	228	-	900	900	900	900	60	64	67
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8										
Contracted services		6 075	9 345	-	6 852	7 279	7 279	7 279	6 874	7 300	7 731
Transfers and grants		685	2 928	-	23 900	23 900	23 900	23 900	30 622	15 970	26 322
Other expenditure	4, 5	45 208	40 155	71 034	71 702	68 372	68 372	68 372	79 533	84 465	89 448
Loss on disposal of PPE											
Total Expenditure		130 137	121 223	173 295	205 360	211 640	211 640	211 640	235 853	234 533	258 999
<b>Surplus/(Deficit)</b>											
		(26 349)	(1 781)	(32 382)	(9 409)	(12 121)	(12 121)	(12 121)	(32 460)	(34 365)	(37 907)
Transfers recognised - capital		92 677	86 207	70 995	40 299	42 299	42 299	42 299	39 743	42 591	44 933
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		66 327	84 426	38 613	30 890	30 178	30 178	30 178	7 283	8 226	7 025
Taxation											
Surplus/(Deficit) after taxation		66 327	84 426	38 613	30 890	30 178	30 178	30 178	7 283	8 226	7 025
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		66 327	84 426	38 613	30 890	30 178	30 178	30 178	7 283	8 226	7 025
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		66 327	84 426	38 613	30 890	30 178	30 178	30 178	7 283	8 226	7 025

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R203.3 million in 2016/17 and Increases to R221 million by 2018/19. This represents is determined by the operational grants in the Dora allocations that will be received by the municipality in 2017/18 and 2018/19.
2. Revenue to be generated from property rates is R10.3 million in the 2016/17 financial year and increases to R11 million by 2017/18 which represents 4 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff 6.2 per cent and 5.9 per cent for the two financial years of the MTREF.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government have grown rapidly over the MTREF by 2 per cent and for the outer years they will decrease by 2 and 10 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues and electrification grant reduce from R25 million, R10 million and R20 million to by 2018/2019.

**Table 8 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

KZN435 Umzimkhulu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive & Council		87	1 913	89	100	100	100	100	150	-	-
Vote 2 - Budget & Treasury Office		73	69	94	500	525	525	525	57	-	-
Vote 3 - Corporate Services		1 175	67	296	1 650	6 329	6 329	6 329	1 500	-	-
Vote 4 - Community & Social Services		73	1 646	499	5 150	4 550	4 550	4 550	1 000	-	-
Vote 5 - Strategic Planning		58	129	28	550	550	550	550	450	-	-
Vote 6 - Infrastructure		84 589	91 877	79 452	50 199	72 565	72 565	72 565	54 743	42 591	44 933
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>86 055</b>	<b>95 702</b>	<b>80 459</b>	<b>58 149</b>	<b>84 619</b>	<b>84 619</b>	<b>84 619</b>	<b>57 900</b>	<b>42 591</b>	<b>44 933</b>
<b>Total Capital Expenditure - Vote</b>		<b>86 055</b>	<b>95 702</b>	<b>80 459</b>	<b>58 149</b>	<b>84 619</b>	<b>84 619</b>	<b>84 619</b>	<b>57 900</b>	<b>42 591</b>	<b>44 933</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		<b>1 467</b>	<b>2 049</b>	<b>480</b>	<b>2 250</b>	<b>6 954</b>	<b>6 954</b>	<b>6 954</b>	<b>1 707</b>	<b>-</b>	<b>-</b>
Executive and council		605	1 913	89	100	100	100	100	150	-	-
Budget and treasury office		379	69	94	500	525	525	525	57	-	-
Corporate services		483	67	296	1 650	6 329	6 329	6 329	1 500	-	-
<b>Community and public safety</b>		<b>192</b>	<b>1 646</b>	<b>499</b>	<b>5 150</b>	<b>4 550</b>	<b>4 550</b>	<b>4 550</b>	<b>1 000</b>	<b>-</b>	<b>-</b>
Community and social services		192	1 646	499	5 150	4 550	4 550	4 550	1 000	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>71 906</b>	<b>92 006</b>	<b>79 480</b>	<b>50 749</b>	<b>73 115</b>	<b>73 115</b>	<b>73 115</b>	<b>55 193</b>	<b>42 591</b>	<b>44 933</b>
Planning and development		301	129	28	550	550	550	550	450	-	-
Road transport		71 605	91 877	79 452	50 199	72 565	72 565	72 565	54 743	42 591	44 933
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<b>Other</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	3	<b>73 565</b>	<b>95 702</b>	<b>80 459</b>	<b>58 149</b>	<b>84 619</b>	<b>84 619</b>	<b>84 619</b>	<b>57 900</b>	<b>42 591</b>	<b>44 933</b>
<b>Funded by:</b>											
National Government		72 565	72 074	62 061	40 299	40 299	40 299	40 299	39 743	42 591	44 933
Provincial Government		1 000	11 700	8 559	-	2 000	2 000	2 000	-	-	-
District Municipality		-	-	3 000	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	73 565	83 774	73 620	40 299	42 299	42 299	42 299	39 743	42 591	44 933
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	11 928	6 838	17 850	42 320	42 320	42 320	18 157	-	-
<b>Total Capital Funding</b>	7	<b>73 565</b>	<b>95 702</b>	<b>80 459</b>	<b>58 149</b>	<b>84 619</b>	<b>84 619</b>	<b>84 619</b>	<b>57 900</b>	<b>42 591</b>	<b>44 933</b>

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

- Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

3. Single-year capital expenditure has been appropriated at R57.9 million for the 2016/17 financial year and remains relatively constant over the MTREF at levels of R42 million and R44 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment.
5. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
6. The capital programme is funded from capital and provincial grants and internally generated funds from current year surpluses. For 2016/17 capital transfers totals R39 million and escalates to R42 and R44 million by 2017/18 and 2018/19.

**Table 9 MBRR Table A6 - Budgeted Financial Position**

KZN435 Umzimkhulu - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		5 329	264	1 012	7 862	15 417	15 417	15 417	13 182	14 000	14 826
Call investment deposits	1	37 221	51 565	93 271	52 166	70 792	70 792	70 792	67 604	71 795	76 031
Consumer debtors	1	4 174	3 640	2 759	2 038	2 038	2 038	2 038	3 000	3 186	3 374
Other debtors		13 162	12 458	4 739	11 846	11 846	11 846	11 846	11 846	12 580	13 322
Current portion of long-term receivables											
Inventory	2										
<b>Total current assets</b>		<b>59 886</b>	<b>67 926</b>	<b>101 781</b>	<b>73 913</b>	<b>100 093</b>	<b>100 093</b>	<b>100 093</b>	<b>95 632</b>	<b>101 561</b>	<b>107 553</b>
<b>Non current assets</b>											
Long-term receivables											
Investments											
Investment property		28 884	28 854	31 285	28 884	31 285	31 285	31 285	31 285	33 225	35 185
Investment in Associate											
Property, plant and equipment	3	364 755	419 377	431 035	539 472	520 891	469 435	469 435	492 410	522 940	553 793
Agricultural											
Biological											
Intangible		271	153	363	110	110	110	110	302	321	340
Other non-current assets		2 948	2 948	180	20 871	10 871	10 871	10 871	7 949	8 442	8 940
<b>Total non current assets</b>		<b>396 858</b>	<b>451 332</b>	<b>462 864</b>	<b>589 337</b>	<b>563 157</b>	<b>511 701</b>	<b>511 701</b>	<b>531 947</b>	<b>564 927</b>	<b>598 258</b>
<b>TOTAL ASSETS</b>		<b>456 744</b>	<b>519 258</b>	<b>564 645</b>	<b>663 249</b>	<b>663 249</b>	<b>611 794</b>	<b>611 794</b>	<b>627 579</b>	<b>666 489</b>	<b>705 811</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1										
Borrowing	4	-	-	10 000	10 000	10 000	10 000	10 000	-	-	-
Consumer deposits											
Trade and other payables	4	23 105	20 959	31 417	6 969	6 969	6 969	6 969	10 124	10 752	11 386
Provisions											
<b>Total current liabilities</b>		<b>23 105</b>	<b>20 959</b>	<b>41 417</b>	<b>16 969</b>	<b>16 969</b>	<b>16 969</b>	<b>16 969</b>	<b>10 124</b>	<b>10 752</b>	<b>11 386</b>
<b>Non current liabilities</b>											
Borrowing		-	-	1 137	-	-	-	-	-	-	-
Provisions		1 955	2 490	2 238	2 500	2 500	2 500	2 500	2 500	2 655	2 812
<b>Total non current liabilities</b>		<b>1 955</b>	<b>2 490</b>	<b>3 375</b>	<b>2 500</b>	<b>2 500</b>	<b>2 500</b>	<b>2 500</b>	<b>2 500</b>	<b>2 655</b>	<b>2 812</b>
<b>TOTAL LIABILITIES</b>		<b>25 060</b>	<b>23 449</b>	<b>44 792</b>	<b>19 469</b>	<b>19 469</b>	<b>19 469</b>	<b>19 469</b>	<b>12 624</b>	<b>13 407</b>	<b>14 198</b>
<b>NET ASSETS</b>	5	<b>431 684</b>	<b>495 809</b>	<b>519 853</b>	<b>643 781</b>	<b>643 781</b>	<b>592 325</b>	<b>592 325</b>	<b>614 954</b>	<b>653 081</b>	<b>691 613</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		337 957	401 159	497 283	513 719	513 719	513 719	513 719	542 010	575 615	609 576
Reserves	4	93 727	94 650	22 570	130 062	130 062	78 606	78 606	72 944	77 467	82 037
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>431 684</b>	<b>495 809</b>	<b>519 853</b>	<b>643 781</b>	<b>643 781</b>	<b>592 325</b>	<b>592 325</b>	<b>614 954</b>	<b>653 081</b>	<b>691 613</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 48 is supported by an extensive table of notes (SA3 which can be found on page 111) providing a detailed analysis of the major components of a number of items, including:
- Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 10 MBRR Table A7 – Budgeted Cash Flow Statement**

KZN435 Umzimkhulu - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		10 742	15 901	14 688	6 813	8 927	8 927	8 927	8 927	9 480	10 039
Service charges					676	714	714	714	714	758	803
Other revenue					4 859	5 431	5 431	5 431	4 625	4 912	5 202
Government - operating	1	90 710	101 530	123 116	178 247	178 247	178 247	178 247	183 438	178 976	198 649
Government - capital	1	92 677	86 207	70 995	40 299	42 299	42 299	42 299	39 743	42 591	44 933
Interest		2 296	2 988	3 993	3 887	4 532	4 532	4 532	4 000	4 248	4 499
Dividends									-	-	-
Payments											
Suppliers and employees		(105 107)	(104 454)	(113 136)	(137 972)	(141 417)	(141 417)	(141 417)	(162 334)	(173 007)	(184 433)
Finance charges		(309)			(900)	(765)	(765)	(765)	(60)	(64)	(67)
Transfers and Grants	1				(20 900)	(21 423)	(21 423)	(21 423)	(26 575)	(11 673)	(21 771)
NET CASH FROM/(USED) OPERATING ACTIVITIES		91 009	102 171	99 657	75 010	76 544	76 544	76 544	52 477	56 222	57 853
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		19	10						-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (Increase) other non-current receivables									-	-	-
Decrease (Increase) in non-current investments									-	-	-
Payments											
Capital assets		(86 369)	(92 902)	(67 202)	(58 749)	(84 619)	(84 619)	(84 619)	(57 900)	(42 591)	(44 933)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(86 349)	(92 892)	(67 202)	(58 749)	(84 619)	(84 619)	(84 619)	(57 900)	(42 591)	(44 933)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans						10 000	10 000	10 000	-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing				10 000	(10 000)	(10 000)	(10 000)	(10 000)	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	10 000	(10 000)	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	4 659	9 278	42 455	6 261	(8 074)	(8 074)	(8 074)	(5 423)	13 631	12 921
Cash/cash equivalents at the year end:	2	37 891	42 550	51 828	53 768	94 283	94 283	94 283	86 209	80 786	94 417
Cash/cash equivalents at the year end:	2	42 550	51 828	94 283	60 029	86 209	86 209	86 209	80 786	94 417	107 338

**Explanation notes to Table A7- Budgeted Cash Flow Statement**

1. The Budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.



**Table 11 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

KZN435 Umzimkhulu - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	42 550	51 828	94 283	60 029	86 209	86 209	86 209	80 786	94 417	107 338
Other current investments > 90 days		-	-	-	-	0	0	0	(0)	(8 622)	(16 481)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>42 550</b>	<b>51 828</b>	<b>94 283</b>	<b>60 029</b>	<b>86 209</b>	<b>86 209</b>	<b>86 209</b>	<b>80 786</b>	<b>85 795</b>	<b>90 857</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		10 857	8 852	20 168	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	572									
Other working capital requirements	3	(5 640)	(5 044)	3 271	(5 439)	(5 531)	(5 531)	(5 531)	(3 150)	(3 345)	(3 543)
Other provisions		3 148			117						
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5				8 961	130 062	130 062	130 062	24 250	25 753	27 272
<b>Total Application of cash and investments:</b>		<b>8 937</b>	<b>3 808</b>	<b>23 439</b>	<b>3 639</b>	<b>124 531</b>	<b>124 531</b>	<b>124 531</b>	<b>21 100</b>	<b>22 408</b>	<b>23 730</b>
<b>Surplus(shortfall)</b>		<b>33 613</b>	<b>48 020</b>	<b>70 844</b>	<b>56 390</b>	<b>(38 322)</b>	<b>(38 322)</b>	<b>(38 322)</b>	<b>59 686</b>	<b>63 387</b>	<b>67 127</b>

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

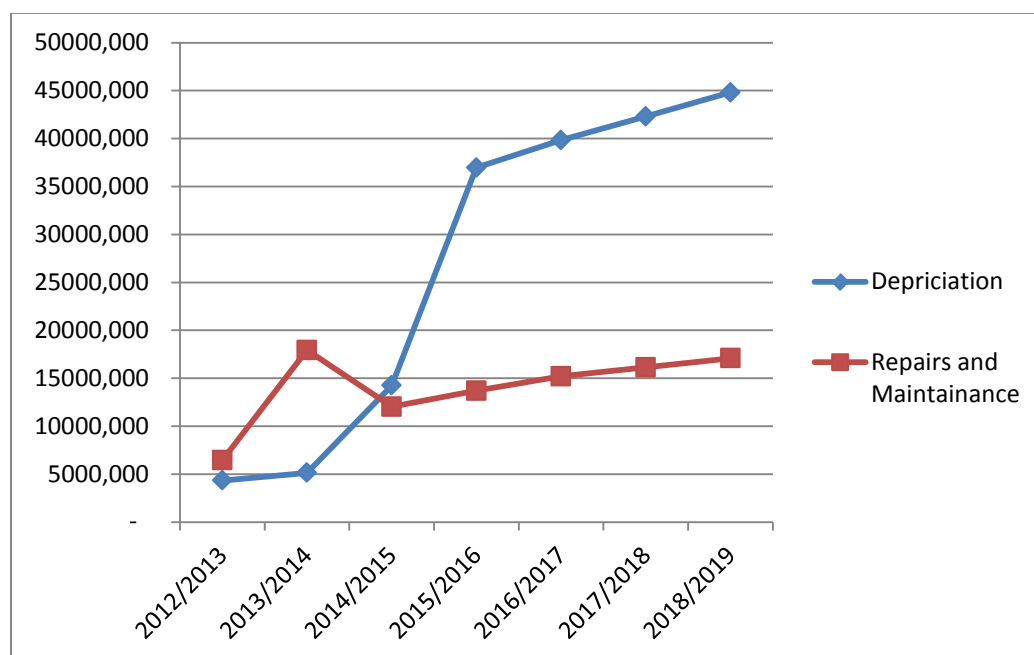
Table 12 MBRR Table A9 - Asset Management

## KZN435 Umzimkhulu - Table A9 Asset Management

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	86 055	95 702	80 459	55 649	84 619	84 619	54 900	42 591	44 933
Infrastructure - Road transport		86 055	42 990	23 778	24 519	35 094	35 094	31 778	42 591	44 933
Infrastructure - Electricity		-	15 000	21 504	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	1 491	-	500	2 569	2 569	-	-	-
Infrastructure		86 055	59 481	45 282	25 019	37 662	37 662	31 778	42 591	44 933
Community		-	18 356	18 325	13 780	10 327	10 327	4 471	-	-
Heritage assets		-	428	4 954	-	6 662	6 662	7 000	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		-	17 437	11 897	16 850	27 217	27 217	9 850	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	2 750	2 750	1 800	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	-	2 500	-	-	3 000	-	-
Infrastructure - Road transport		-	-	-	2 500	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	2 500	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		-	-	-	-	-	-	3 000	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	86 055	42 990	23 778	27 019	35 094	35 094	31 778	42 591	44 933
Infrastructure - Road transport		-	15 000	21 504	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	1 491	-	500	2 569	2 569	-	-	-
Infrastructure		86 055	59 481	45 282	27 519	37 662	37 662	31 778	42 591	44 933
Community		-	18 356	18 325	13 780	10 327	10 327	4 471	-	-
Heritage assets		-	428	4 954	-	6 662	6 662	7 000	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		-	17 437	11 897	16 850	27 217	27 217	12 850	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	2 750	2 750	1 800	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	86 055	95 702	80 459	58 149	84 619	84 619	57 900	42 591	44 933
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
Infrastructure - Road transport		287 519	329 802	-	-	337 658	337 658	194 102	206 137	218 299
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		25 989	33 228	-	-	42 122	42 122	56 673	60 187	63 738
Infrastructure		313 508	363 030	-	-	379 780	379 780	250 775	266 323	282 037
Community		44 997	42 859	-	-	78 778	78 778	83 155	88 311	93 521
Heritage assets		2 948	-	-	-	28 965	28 965	180	191	202
Investment properties		28 884	28 854	31 285	28 884	31 285	31 285	31 285	33 225	35 185
Other assets		3 301	13 488	-	-	22 954	22 954	30 136	32 005	33 893
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		271	153	363	110	110	110	302	321	340
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	393 910	448 384	31 648	28 994	541 872	541 872	395 835	420 377	445 179
<b>EXPENDITURE OTHER ITEMS</b>										
<b>Depreciation &amp; asset impairment</b>		31 949	15 384	34 984	36 965	39 837	39 837	39 837	42 307	44 803
<b>Repairs and Maintenance by Asset Class</b>		4 841	5 891	-	13 690	12 105	12 105	15 190	16 132	17 084
Infrastructure - Road transport		4 666	2 986	-	6 250	5 665	5 665	8 500	9 027	9 560
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	898	-	2 000	2 000	2 000	1 500	1 593	1 687
Infrastructure		4 666	3 884	-	8 250	7 665	7 665	10 000	10 620	11 247
Community		44	586	-	2 500	2 000	2 000	2 300	2 443	2 587
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		132	1 420	-	2 940	2 440	2 440	2 890	3 069	3 250
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	6, 7	36 790	21 275	34 984	50 655	51 942	51 942	55 027	58 438	61 886
<b>Renewal of Existing Assets as % of total capex</b>		0.0%	0.0%	0.0%	4.3%	0.0%	0.0%	5.2%	0.0%	0.0%
<b>Renewal of Existing Assets as % of deprecn"</b>		0.0%	0.0%	0.0%	6.8%	0.0%	0.0%	7.5%	0.0%	0.0%
<b>R&amp;M as a % of PPE</b>		1.3%	1.4%	0.0%	2.5%	2.3%	2.6%	3.1%	3.1%	3.1%
<b>Renewal and R&amp;M as a % of PPE</b>		1.0%	1.0%	0.0%	56.0%	2.0%	2.0%	5.0%	4.0%	4.0%

### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet these recommendations due to assets municipality owned about 80% of the assets are new they just capitalise through Municipal Infrastructure Grant.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.



**Figure 2 Depreciation in relation to repairs and maintenance over the MTREF**

Table 13 MBRR Table A10 - Basic Service Delivery Measurement

KZN435 Umzimkhulu - Table A10 Basic service delivery measurement

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Household service targets</b>	1									
<u>Water:</u>										
Piped water inside dwelling		-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)		-	-	-	-	-	-	-	-	-
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<u>Energy:</u>										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<u>Refuse:</u>										
Removed at least once a week		5 730	5 730	5 730	7 700	8 700	8 700	8 700	8 700	8 700
<i>Minimum Service Level and Above sub-total</i>		5 730	5 730	5 730	7 700	8 700	8 700	8 700	8 700	8 700
Removed less frequently than once a week		1 970	1 970	-	1 970	1 970	1 970	1 970	1 970	1 970
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		1 970	1 970	-	1 970	1 970	1 970	1 970	1 970	1 970
<b>Total number of households</b>	5	7 700	7 700	5 730	9 670	10 670	10 670	10 670	10 670	10 670
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>										
<b>Total cost of FBS provided</b>										
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		30 000	30 000							
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		35	50							
Property rates - exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		-	-	-	4 766	4 766	4 766	4 766	4 766	5 061
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
<b>Total revenue cost of subsidised services provided</b>	6	35	50	-	4 766	4 766	4 766	4 766	4 766	5 061

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
  - a. Refuse services – backlog will be reduced by 5% households in 2016/17, and a further 8 700 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 200 households to be registered as indigent in 2016/17, and therefore entitled to receiving Free Basic Services
4. It is anticipated that these Free Basic Services will cost the municipality R3 000 000 in 2016/17, increasing to R3 373 974 by 2018/19. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the municipality is in the process of identifying further indigent households to subsidise them on electrification in the rural areas. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 4 per cent of total operating revenue.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 1.6.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor will table in Council the required the IDP and budget time schedule in August 2015. Key dates applicable to the process were:

- **August 2016** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2016/17 MTREF;
- **November 2016** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **08 to 013 January 2017** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2017** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **27 January 2017**- Council considers the 2016/17 Mid-year Review and Adjustments Budget;
- **February 2017** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The Final 2016/17 MTREF is revised accordingly;

- **31 March 2017** - Tabling in Council of the draft 2017/18 IDP and 2017/18 MTREF for public consultation;
- **April 2017** – Public consultation;
- **5 May 2017** - Closing date for written comments;
- **09 to 19 May 2017** – finalisation of the 2017/18 IDP and 2017/18 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **30 May 2017** - Tabling of the 2017/18 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### **1.6.2 IDP and Service Delivery and Budget Implementation Plan**

This is the third review of the IDP as adopted by Council in May 2012/2013. It started in September 2014 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2016/17 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the third revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2016/17 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2016/17 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2015/16 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **1.6.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2016/17 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance

- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2015/16 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 78 and 79 has been taken into consideration in the planning and prioritisation process.

#### **1.6.4 Community Consultation**

The draft 2016/17 MTREF as tabled before Council on 24 March 2016 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices and municipal notice boards.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process that will be done in April 2016 that will be conducted and including twenty public briefing sessions, and the attendance was recorded per meeting. This is up to the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions will be scheduled with organised business and imbizo's held to further ensure transparency and interaction. Other stakeholders involved in the consultation process include churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects was addressed, and it was considered as part of the finalisation of the 2015/16 MTREF. Feedback and responses to the submissions received are available on request.

### **1.7 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.



Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2016/17 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 14 IDP Strategic Objectives**

<b>2010/11 Financial Year</b>	<b>2016/17 MTREF</b>
1. Ensure that financial management systems are structured to increase municipal revenue, Ensure alignment of municipal development with budgetary allocations	1. Ensure that financial management systems are structured to increase municipal revenue, Ensure alignment of municipal development with budgetary allocations
2. To develop an organisation organisational architecture, business process and	2. To develop an organisation organisational architecture, business process and policies which

policies which will enable the municipality to fulfil its constitutional mandate and achieve its vision and mission.	will enable the municipality to fulfil its constitutional mandate and achieve its vision and mission.
3. To address issue of the youth women, disabled and vulnerable sectors of society on integrated basis. To develop systems to facilitate co-operative governance and inter-governmental relations especially with the District, other spheres of government and services provided to maximize the development impact within UMzimkhulu Municipality.	3. To address issue of the youth women, disabled and vulnerable sectors of society on integrated basis. To develop systems to facilitate co-operative governance and inter-governmental relations especially with the District, other spheres of government and services provided to maximize the development impact within UMzimkhulu Municipality
4. To ensure that in line with National goals, all households have access to basic services.	4. To ensure that in line with National goals, all households have access to basic services.
5. To facilitate coherent development of all growth areas.	5. To facilitate coherent development of all growth areas

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide city planning services; and
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;

- Working with the provincial department of health to provide primary health care services;
- Extending waste removal services and ensuring effective municipality cleansing;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

### 3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

### 4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

### 5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

### 5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

### 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2016/17 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 15 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	G o a l	G o a l C o d e	R e f	2012/ 13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				Audit ed Outc ome	Audite d Outco me	Audited Outcom e	Original Budget	Adjuste d Budget	Full Year Forecas t	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand												
To build capacity and skill for the community,councillors and staff of Umzimkhulu Municipality to deepen democratic participation in decision making and all development processes and to facilitate horizontal and vertical communication with all stakeholders					17 298	23 390	30 244	30 244	30 244	30 479	32 368	34 278
To develop an organizational architecture, business processes and policies, which will enable the municipality to fulfill its constitutional and legislative mandates and achieve its vision and mission					12 812	13 589	22 683	23 129	23 129	22 859	24 276	25 709

To facilitate growth and development of the local economy in a way that generates opportunities for sustainable job creation, poverty reduction and improves BBBEE										
To address issues of youth, women, disabled and vulnerable sectors of society on an integrated basis										
To manage and promote informed integrated planning , development, and housing and local economic development that accelerates service delivery and ensures sustainable communities			6 967	9 095	13 986	13 946	13 946	13 937	14 801	15 675
To reduce the backlog in services such as waste removal and physical infrastructure such as roads as well as social infrastructure such as clinics, sports and recreation facilities, libraries and arts and culture			121 084	115 811	105 529	107 470	107 470	109 987	116 807	123 698
To reduce the backlog in services such as waste removal and physical infrastructure such as roads as well as social infrastructure such as clinics, sports and recreation facilities, libraries and arts and culture										
To manage and promote informed integrated planning , development, and housing and local economic development that accelerates service delivery and ensures sustainable communities										
To manage municipal financial resources in a way that will ensure financial sustainability			23 410	27 772	37 953	40 855	40 855	39 504	41 953	44 428
To develop systems to facilitate co-operative governance and inter-governmental relations especially with the district, other spheres of government and service providers to maximize the development impact										

within UMzimkhulu Local Municipality											
To mainstream and integrate issues of poverty, unemployment, environment and HIV/AIDS within the main development agenda of the municipality and to address them holistically viability and sustainability, and the alignment of the budget with the needs and priorities of the stakeholders				14 839	15 993	25 855	26 175	26 175	26 370	28 005	29 657
Allocations to other priorities	2										
Total Revenue (excluding capital transfers and contributions)	1	-	196 410	205 649	236 250	241 819	241 819	243 136	258 211	273 445	

**Table 16 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand												
To build capacity and skills of the community, councilors and staff of UMzimkhulu Local Municipality to deepen democratic participation in decision making and all development processes and to facilitate horizontal and vertical communication with all stakeholders To develop an organizational architecture, business processes and policies, which will enable the municipality to fulfill its constitutional and legislative mandates and achieve its vision and mission				19 559	26 922	28 015	28 155	30 535	30 535	32 432	34 345	36 268
				15 514	17 098	19 156	26 382	23 715	23 715	24 202	25 630	27 065

<p>To facilitate growth and development of the local economy in a way that generates opportunities for sustainable job creation, poverty reduction and improves BBBEE</p> <p>To address issues of youth, women, disabled and vulnerable sectors of society on an integrated basis</p>											
<p>To manage and promote informed integrated planning , development, and housing and local economic development that accelerates service delivery and ensures sustainable communities</p>			6 253	6 690	8 974	12 774	12 613	12 613	13 807	14 622	15 441
<p>To reduce the backlog in services such as waste removal and physical infrastructure such as roads as well as social infrastructure such as clinics, sports and recreation facilities, libraries and arts and culture</p> <p>To ensure that the number of households eligible for free basic services is increased</p>			49 815	45 316	31 426	44 892	39 206	39 206	86 906	92 034	97 188
<p>To manage and promote informed integrated planning , development, and housing and local economic development that accelerates service delivery and ensures sustainable communities</p> <p>To manage municipal financial resources in a way that will ensure financial sustainability</p>			22 300	16 330	15 633	24 923	24 762	24 762	26 363	27 918	29 482
<p>To develop systems to facilitate co-operative governance and inter-governmental relations especially with the district, other spheres of government and service providers to maximize the development impact within UMzimkhulu Local Municipality</p> <p>To mainstream and integrate issues of poverty, unemployment, environment and HIV/AIDS within the main development agenda of the municipality and to address them holistically viability and sustainability, and the alignment of the budget with the needs and priorities of the stakeholders</p>			16 951	17 727	18 019	22 171	21 245	21 245	21 650	22 927	24 211

Allocations to other priorities												
Total Expenditure			1	130 391	130 083	121 223	159 297	152 076	152 076	205 360	217 477	229 655

**Table 17 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

KZN435 Umzimkhulu - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Objectives and Budget (Capital Expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand												
Vote 1 - Executive & Council	Office furniture and Equipment	A		605	1 913	89	100	100	100	150		
Vote 2 - Budget & Treasury Office	Office furniture and Equipment	B		379	69	94	500	525	525	57		
Vote 3 - Corporate Services	IT Software, office furniture and equipment	C		483	67	296	1 650	6 329	6 329	1 500		
Vote 4 - Community & Social Services	Disaster van and traffic motor vehicle	D		192	1 646	499	5 150	4 550	4 550	1 000		
Vote 5 - Strategic Planning	GIS Software and office furniture and equipment	E		301	129	28	550	550	550	450		
Vote 6 - Infrastructure	Roads, Pavements & Bridges, Van Rank SMME HUB, Cemeteries, memorial Hall, and new traffic offices	F		71 605	91 877	79 452	50 199	72 565	72 565	54 743	42 591	44 933
		G										

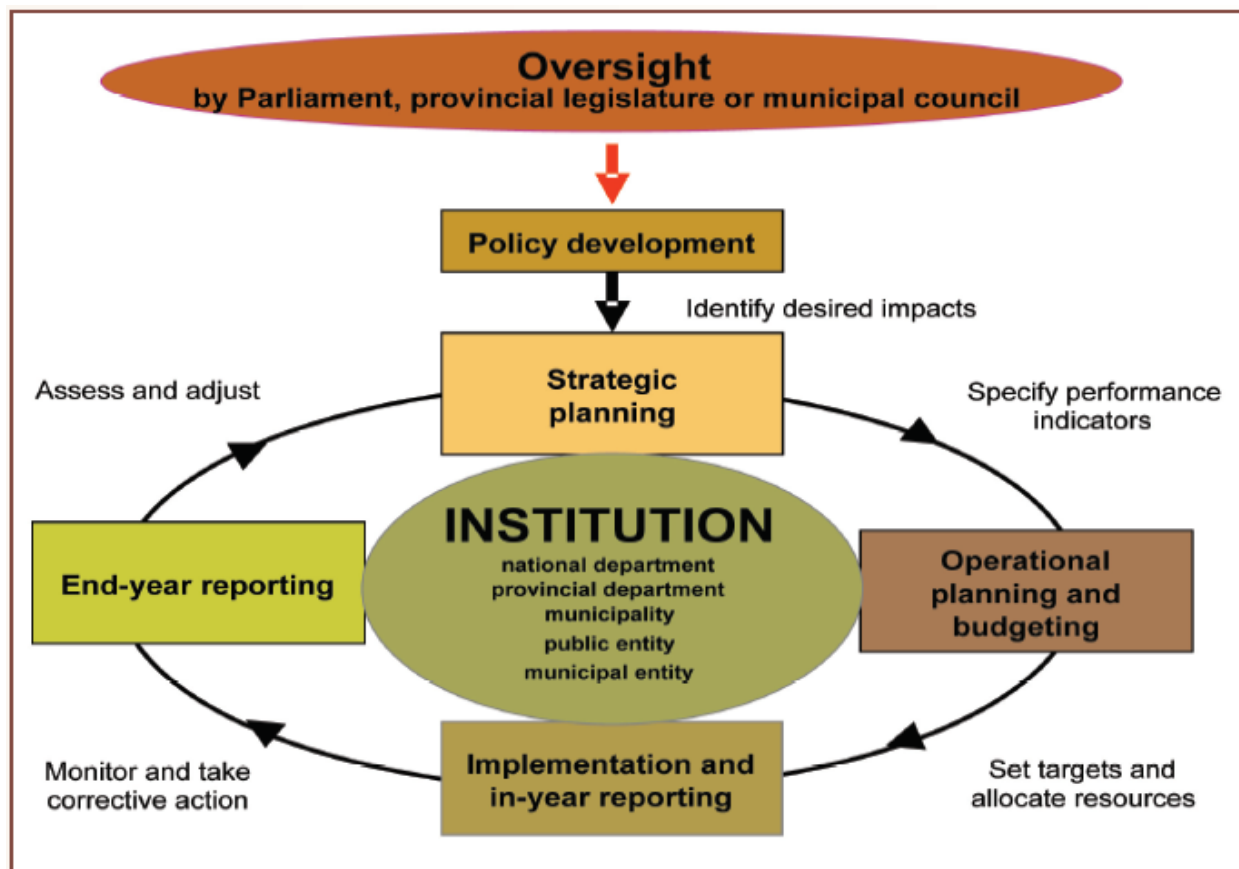


		H										
		I										
		J										
		K										
		L										
		M										
		N										
		O										
		P										
Allocations to other priorities			3									
Total Capital Expenditure			1	73 565	95 702	80 459	58 149	84 619	84 619	57 900	42 591	44 933

## 1.8 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

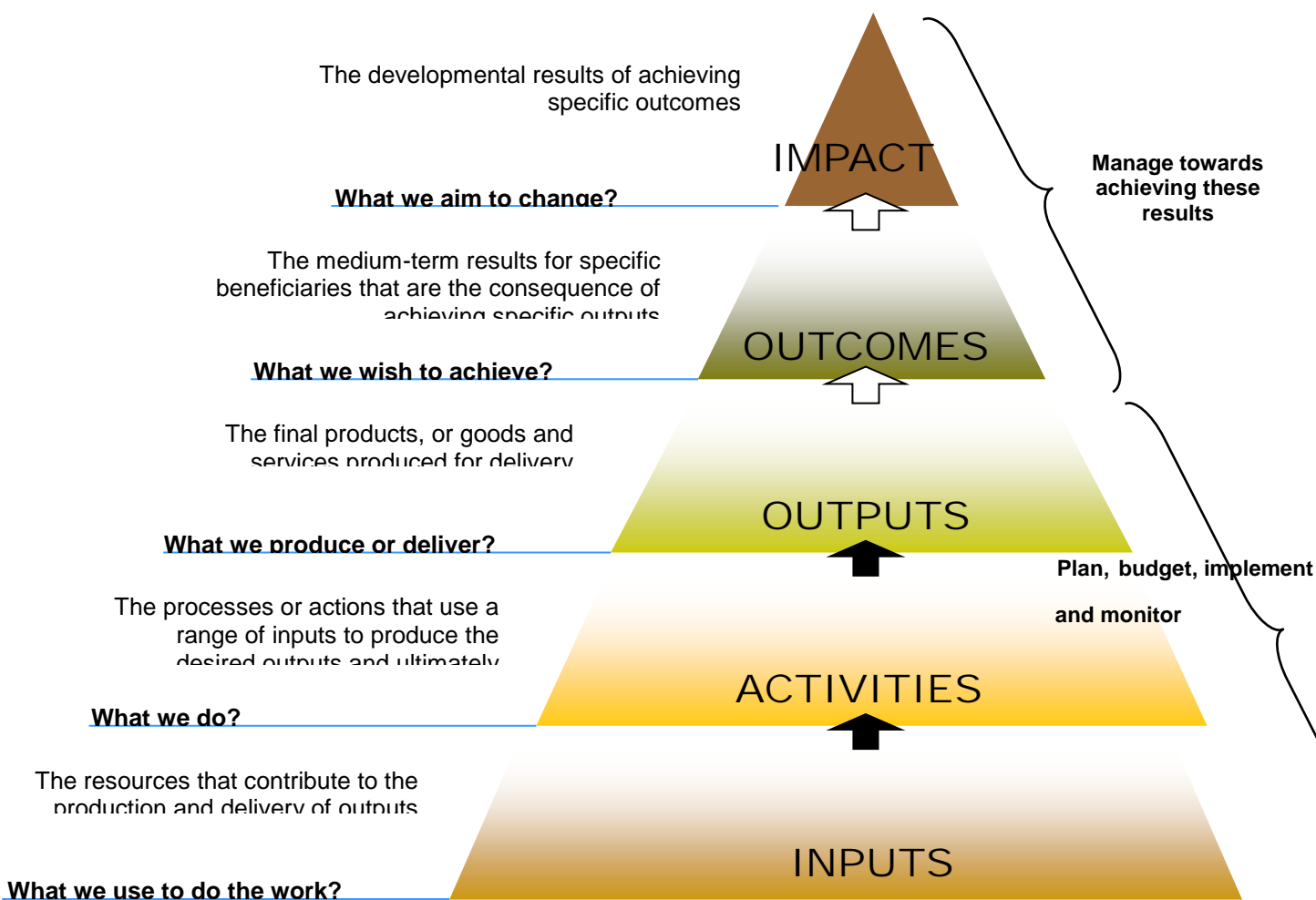


**Figure 3 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



**Figure 4 Definition of performance information concepts**

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

**Table 18 MBRR Table SA7 - Measurable performance objectives**

KZN435 Umzimkhulu - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Budget and Treasury Office</b>										
<b>Revenue</b>										
<b>Billing and Collection</b>										
<i>Revenue enhancement</i>	Increase on revenue					10.0%	10.0%	10.0%	10.0%	10.0%
<b>Billing and Collection</b>										
<i>The collection of billed customers</i>	Outstanding Service				36.0%	36.0%	36.0%	36.0%	36.0%	36.0%
<b>Reduction of debtors book</b>	Reduction of debtors					52.0%	52.0%	52.0%	52.0%	52.0%
<b>Budgeting</b>										
<b>Budgeting</b>										
<i>Best Budgeting Practice to improve service</i>	% of Municipality's				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Supply Chain Management</b>										
<b>Acquisition and Demand</b>										
<i>To conform with the rules and regulations of</i>	To ensure that goods and				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Disposal And Logistics</b>										
<i>To ensure that the services required to support</i>	Meet turnaround time for				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Corporate Services</b>										
<b>Human Resource</b>										
<b>Human Resource</b>										
<i>To have well trained capacitated personnel</i>	% of Municipality's budget				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Human Resource</b>										
<i>Ensure that the municipal organisational</i>	Reviewed municipal				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Strategic Planning and Housing</b>										
<b>Local Economic Development</b>										
<b>Local economic development</b>										
<i>To provide support to local business and for stimulation of economic growth by 2016</i>	Conduct 4 Small, Create jobs through				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Housing</b>										
<i>Adoption of the reviewed housing sector plan</i>	Reviewal of the							250	250	300
<b>HIV/AIDS</b>										
<i>To ensure effective and efficient HIV/AIDS</i>	Number of HIV				5	5	5	5	5	5
<b>Arts and Culture</b>										
<i>To continuously promote moral regulation &amp;</i>	number of arts and				2	2	2	2	2	2
<b>Tourism</b>										
<i>To attract more tourist</i>	No of tourism facilities				100.0%					
<b>Roads</b>										
<b>CSS</b>										
<i>To reduce accidents and road carnages by 5%</i>	road safety campaigns in									
<b>Infrastructure</b>										
<b>Roads</b>										
<b>Heritage</b>										
<i>To continuously preserve the heritage of Umzimkhulu</i>	Rehabilitation of the				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Roads</b>										
<i>Provision to sustainable road infrastructure to uMz</i>	Number of workshops				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Waste Management</b>										
<i>Insert measure/s description</i>	No. waste management				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Sub-function 3 - (name)</b>										
<i>Insert measure/s description</i>										
<b>And so on for the rest of the Votes</b>										

The following table sets out the municipalities main performance objectives and benchmarks for the 2016/17MTREF.

**Table 19 MBRR Table SA8 - Performance indicators and benchmarks**

KZN435 Umzimkhulu - Supporting Table SA8 Performance indicators and benchmarks

KZN433 Shizinkhulu - Supporting Table SAB Performance Indicators and Benchmarks											
Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.1%	0.2%	-5.8%	5.3%	5.2%	5.2%	5.2%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.0%	1.3%	-56.2%	61.6%	51.2%	51.2%	51.2%	0.3%	0.3%	0.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	23.6%	23.6%	23.6%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	2.6	3.2	2.5	4.4	5.9	5.9	5.9	9.4	9.4	9.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.6	3.2	2.5	4.4	5.9	5.9	5.9	9.4	9.4	9.4
Liquidity Ratio	Monetary Assets/Current Liabilities	1.8	2.5	2.3	3.5	5.1	5.1	5.1	8.0	8.0	8.0
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		148.4%	197.5%	201.1%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		148.4%	197.5%	201.1%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	16.7%	13.5%	5.3%	7.1%	7.0%	7.0%	7.0%	7.3%	7.9%	7.6%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		28.8%	23.4%	11.9%	11.6%	8.1%	8.1%	8.1%	12.5%	11.4%	10.6%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	31.4%	33.3%	32.4%	25.5%	28.3%	28.3%	28.3%	29.6%	32.2%	31.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	47.3%	48.3%	46.0%	32.9%	35.7%	35.7%		37.3%	40.6%	39.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.7%	4.9%	0.0%	7.0%	6.1%	6.1%		7.5%	8.1%	7.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	30.9%	13.1%	24.8%	19.3%	20.4%	20.4%	20.4%	19.6%	21.2%	20.3%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	4.4	(3.0)	1.3	1.2	1.2	1.2	5.3	4.7	4.7	5.0
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	221.3%	176.2%	89.0%	140.9%	113.0%	113.0%	113.0%	120.3%	120.3%	120.3%
iii. Cost coverage	(Av ailable cash + Investments)/monthly fixed operational expenditure	7.2	7.8	10.7	6.4	8.8	8.8	8.8	6.7	8.3	8.3

### 1.8.1 Performance indicators and benchmarks

#### 1.8.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue. Municipality does not commit to long term borrowing for 2016/2017 MTREF. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities,

- *A Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure.

#### 1.8.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

#### 1.8.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2016/17 MTREF the current ratio is 8.1 in the 2015/16 financial year and 8.1 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2016/17 financial year the ratio was 3.1 and as part of the financial planning strategy it has been increased to 3.1 in the 2016/17 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

#### 1.8.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

#### 1.8.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of

risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

#### 1.8.1.6 Other Indicators

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers. Also note that municipality does not have bulk purchases (water and Electricity) it is district municipality.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base. The municipality does not meet 8% of a PPE book value due to most of the assets are new.

### 1.8.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2015/16 financial year 433 (refuse) registered indigents have been provided for in the budget with this figured increasing to 573 by 2016/17. In terms of the Municipality's indigent policy registered households are free waste removal equivalent to 85ℓ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 13 MBRR A10 (Basic Service Delivery Measurement) on page 41.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc.) are not taken into account in the table noted above.

## **1.9 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **1.9.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council in October 2008 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

### **1.9.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).



### **1.9.3 Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

### **1.9.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in September 2007. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

### **1.9.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council in May 2015.

### **1.9.6 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was amended by Council in June 2011. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

### **1.9.7 Tariff Policies**

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

### **1.9.8 Financial Modelling and Scenario Planning Policy**

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2016/17 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on

financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2015/16 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

**NB:** All the above policies are available on the Municipality's website ([www.umzimkhululm.gov.za](http://www.umzimkhululm.gov.za)), as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy;
- Virement Policy and
- Basic Social Services Package (Indigent Policy).

## 1.10 Overview of budget assumptions

### 1.10.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### 1.10.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers; and
- The increase in the cost of remuneration. Employee related costs comprise 32 per cent of total operating expenditure in the 2016/17 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018 has been considered. The South African Local Government Association issued a press

release on 07 March 2015 indicating that it tabled the following offer for salaries and wages increase:

- For 2016/17 FY 6.5 per cent. (MFMA Circular 79)

### 1.10.3 Credit rating outlook

**Table 20 Credit rating outlook**

Security class	Currency	Rating	Annual rating 2009/10	Previous Rating
Short term	Rand	Prime -1	20 April 2010	Prime -1
Long-term	Rand	Aa3	20 April 2010	Aa3
Outlook	Rand	Negative	20 April 2010	Negative

The rating definitions are:

- Short term : Prime – 1  
Short-Term Debt Ratings (maturities of less than one year)  
Prime-1 (highest quality)
- Long-term : Aa3  
Defined as high-grade. “Aa” rated are judged to be of high quality and are subject to very low credit risk.

### 1.10.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2016/17 MTREF the interest on investment is based on the assumption that all investments and grants will receive in early stage of the financial year.

### 1.10.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### 1.10.6 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

#### **1.10.7 Salary increases**

The Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018 has been considered. The South African Local Government Association issued a press release on 07 March 2016 indicating that it tabled the following offer for salaries and wages increase:

2016/17 Financial Year – 6.5 per cent (inflation linked)

2017/18 and 2018/19 Financial Years – inflation related increase plus additional 1 per cent Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

#### **1.10.8 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2016/17 MTREF of which performance has been factored into the cash flow budget.

## 1.11 Overview of budget funding

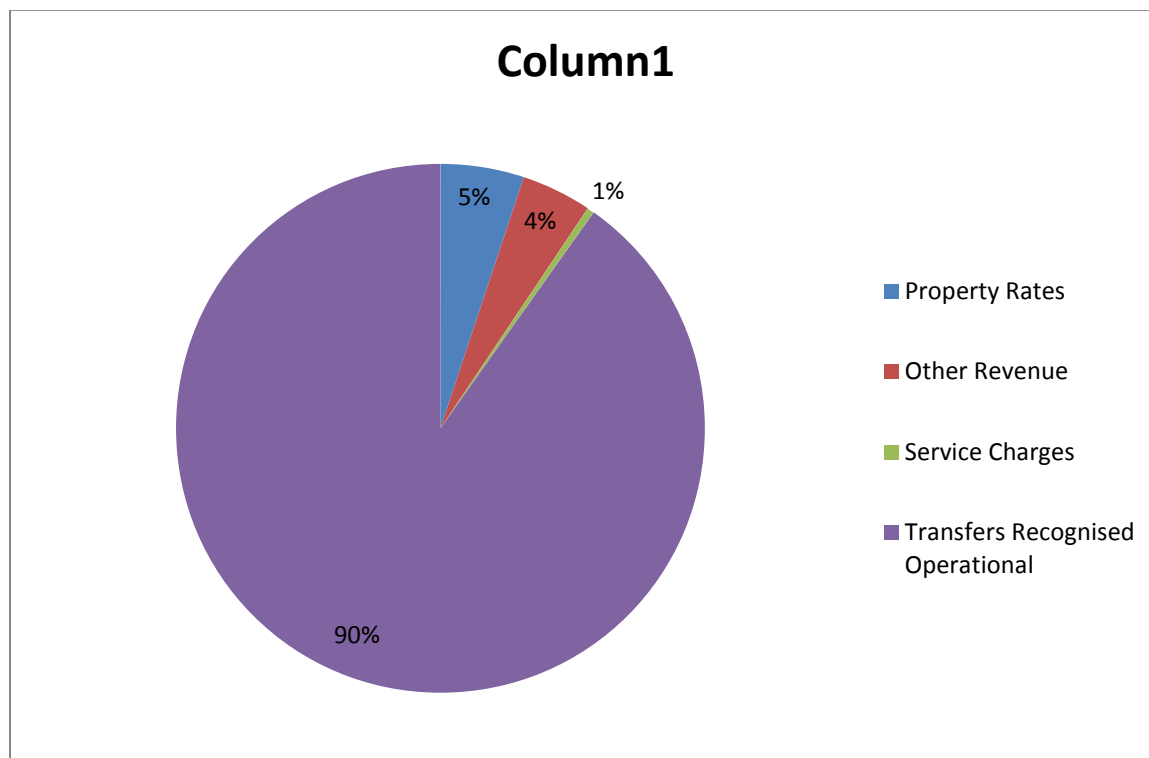
### 1.11.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

**Table 21 Breakdown of the operating revenue over the medium-term**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Revenue By Source											
Property rates	2	5 905	6 719	6 539	7 922	10 380	10 380	10 380	10 380	11 023	11 674
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	1 337	1 331	765	786	830	830	830	830	881	933
Service charges - other											
Rental of facilities and equipment		593	1 088	1 120	1 147	1 081	1 081	1 081	1 131	1 201	1 272
Interest earned - external investments		2 667	2 988	3 993	3 887	4 532	4 532	4 532	4 000	4 248	4 499
Interest earned - outstanding debtors		543	147	217	250	100	100	100	120	127	135
Dividends received											
Fines		429	532	1 039	1 000	900	900	900	900	956	1 012
Licences and permits		211	273	645	375	420	420	420	450	478	506
Agency services											
Transfers recognised - operational		90 710	101 530	123 116	178 247	178 247	178 247	178 247	183 438	178 976	198 649
Other revenue	2	1 394	4 834	3 478	2 337	3 030	3 030	3 030	2 144	2 277	2 411
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		103 788	119 442	140 913	195 951	199 520	199 520	199 520	203 393	200 168	221 092

The following graph is a breakdown of the operational revenue per main category for the 2016/17 financial year



**Figure 5 Breakdown of operating revenue over the 2016/17 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as, solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2016/17 MTREF on the different revenue categories are:

**Table 22 Proposed tariff increases over the medium-term**

Revenue category	2013/14 proposed tariff	2014/15 proposed tariff	2015/16 proposed tariff	2016/17 additional revenue for each 0 tariff increase	2017/18 additional revenue owing to % tariff increases	2018/19 Total Budgeted revenue
	%	%	%	R'000	R'000	R'000
Property rates	0	0	0	10 380	11 023	11 674
<b>Total</b>				10 380	11 023	11 674

Revenue to be generated from property rates is R10.3 million in the 2016/17 financial year and increases to R11 million by 2017/18 which represents 6 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll. In addition there are still outstanding objections, although significant progress was made in dealing with these objections in the 2015/16 financial year. It is anticipated that the process will be concluded by the end of February 2016. As the levying of property rates is considered strategic revenue source a further supplementary valuation process will be finalised in the 2<sup>nd</sup> quarter of the 2015/16 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R830k for the 2016/17 financial year and increasing to R881k by 2017/18. For the 2016/17 financial year services charges amount to 0.4 per cent of the total revenue base and grows by 0.4 per cent per annum over the medium-term.

Operational grants and subsidies amount to 183 million, R178 million and R198 million for each of the respective financial years of the MTREF, or 6.2 and 5.9 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 6.2 per cent and 5.9 per cent for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R4 million, R4.2 million and R4.5 million for the respective three financial years of the 2016/17 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

**Table 23 MBRR SA15 – Detail Investment Information**

KZN435 Umzimkhulu - Supporting Table SA15 Investment particulars by type

REN435 - Ozminkhid - Supporting Table SATS Investment particulars by type

Investment type	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		37 221	51 565	93 271	52 166	70 792	70 792	41 258	43 816	46 402
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	37 221	51 565	93 271	52 166	70 792	70 792	41 258	43 816	46 402
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		37 221	51 565	93 271	52 166	70 792	70 792	41 258	43 816	46 402

**Table 23(i) MBRR SA16 – Investment particulars by maturity**

KZN435 Umzimkhulu - Supporting Table SA16 Investment particulars by maturity

REVENUE CHARGES - Supporting Table 5A16 Investment particulars by maturity														
Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	1	Yrs/Months												
Parent municipality														
NedBank		12 months	Fixed Deposit	Yes	Fixed	7.11%	no		01 July 2017	27 000	1 917			28 917
Call Account FNB		32 days	Deposit	No	Variable	4.80%	no		n/a	43 400	2 083			45 483
														-
														-
														-
Municipality sub-total										70 400		-	-	74 400
Entities														
														-
														-
														-
														-
														-
Entities sub-total										-		-	-	-
TOTAL INVESTMENTS AND INTEREST	1									70 400		-	-	74 400



## Medium-term outlook: capital revenue

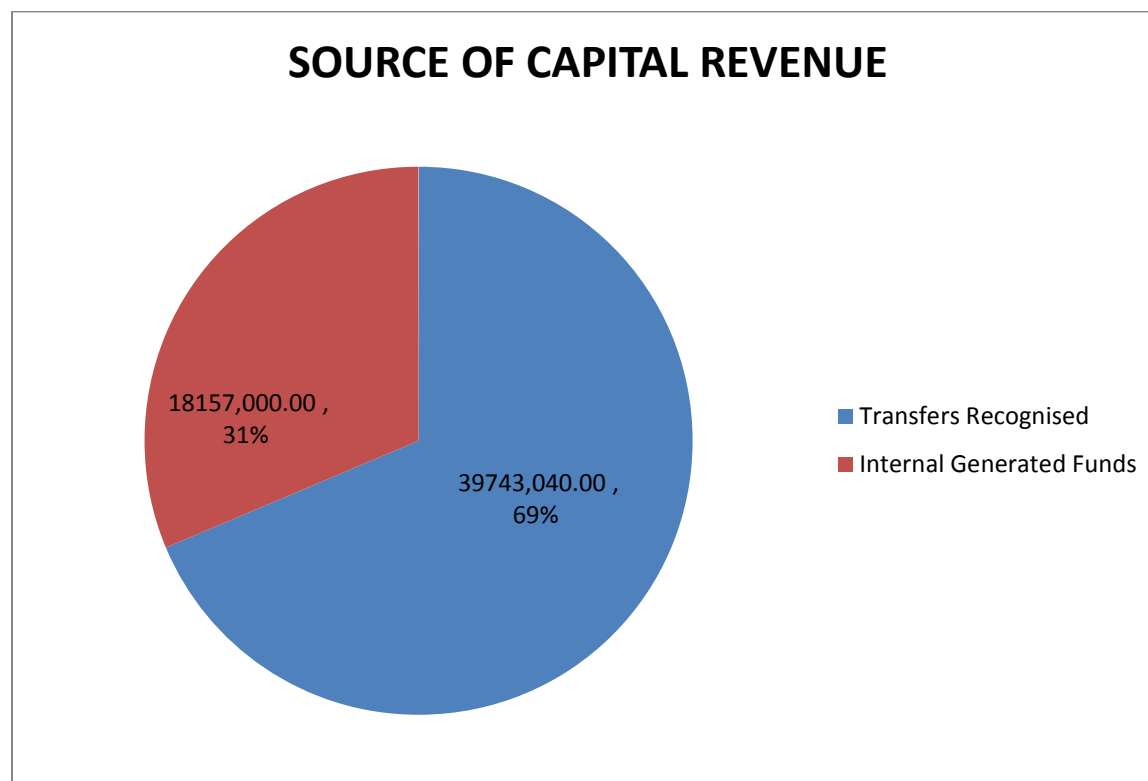
The following table is a breakdown of the funding composition of the 2016/17 medium-term capital programme:

**Table 24 Sources of capital revenue over the MTREF**

KZN435 Umzimkhulu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
<b>Funded by:</b>											
National Government		72 565	72 074	62 061	40 299	40 299	40 299	40 299	39 743	42 591	44 933
Provincial Government		1 000	11 700	8 559		2 000	2 000	2 000			
District Municipality				3 000							
Other transfers and grants											
Transfers recognised - capital	4	73 565	83 774	73 620	40 299	42 299	42 299	42 299	39 743	42 591	44 933
Public contributions & donations	5										
Borrowing	6										
Internally generated funds			11 928	6 838	17 850	42 320	42 320	42 320	18 157		
<b>Total Capital Funding</b>	<b>7</b>	<b>73 565</b>	<b>95 702</b>	<b>80 459</b>	<b>58 149</b>	<b>84 619</b>	<b>84 619</b>	<b>84 619</b>	<b>57 900</b>	<b>42 591</b>	<b>44 933</b>

The above table is graphically represented as follows for the 2016/17 financial year.



### Figure 6 Sources of capital revenue for the 2016/17 financial year

Capital grants and receipts equates to 68 per cent of the total funding source which represents R39 million for the 2016/17 financial year and steadily increase to R44 million by 2018/19. The internal generated fund equates to 32 per cent of total funding source which is R18 million. Growth relating to national grant receipts is 6.2 and 5.9 per cent over the medium-term.

**Table 25 MBRR Table SA 18 - Capital transfers and grant receipts**

KZN435 Umzimkhulu - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		90 525	102 206	122 430	177 503	164 503	176 503	182 173	177 656	197 273
Local Government Equitable Share		85 299	96 838	116 142	151 222	151 222	151 222	152 393	163 981	173 501
Finance Management		1 500	1 650	1 800	1 800	1 800	1 800	1 825	1 900	1 900
Integrated National Electrification Programme					20 000	7 000	19 000	25 000	10 000	20 000
EPWP Incentive		1 000	1 000	1 913	1 872	1 872	1 872	1 299	-	-
Municipal Systems Improvement		800	890	934	930	930	930	-	-	-
MIG Admin cost 4% of R41 399 000		1 926	1 828	1 641	1 679	1 679	1 679	1 656	1 775	1 872
Provincial Government:		359	653	681	744	744	744	1 265	1 320	1 376
Community Library Services Grant		359	139	146	191	191	191	380	400	419
Provincialisation of Libraries			514	535	553	553	553	885	920	957
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	90 884	102 859	123 111	178 247	165 247	177 247	183 438	178 976	198 649
<b>Capital Transfers and Grants</b>										
National Government:		71 497	70 610	70 396	40 299	40 299	40 299	39 743	42 591	44 933
Municipal Infrastructure Grant (MIG)		48 144	43 879	39 392	40 299	40 299	40 299	39 743	42 591	44 933
Neighbourhood Development Partnership		13 353	11 731	16 000						
Integrated National Electrification Programme		10 000	15 000	15 004						
Provincial Government:		-	-	8 000	-	2 000	2 000	-	-	-
Small Town Rehabilitation SMME				8 000	-	2 000	2 000			
Electrification				3 500						
District Municipality:		-	-	3 000	-	-	-	-	-	-
Electrification				3 000						
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Capital Transfers and Grants</b>	5	71 497	70 610	81 396	40 299	42 299	42 299	39 743	42 591	44 933
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		162 381	173 469	204 507	218 546	207 546	219 546	223 181	221 567	243 582

### 1.11.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 26 MBRR Table A7 - Budget cash flow statement**

KZN435 Umzimkhulu - Table A7 Budgeted Cash Flows

KZN435 Umzimkhulu - Table A7 Budgeted Cash Flows											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges		10 742	15 901	14 688	6 813	8 927	8 927	8 927	8 927	9 480	10 039
Service charges					676	714	714	714	714	758	803
Other revenue					4 859	5 431	5 431	5 431	4 625	4 912	5 202
Government - operating	1	90 710	101 530	123 116	178 247	178 247	178 247	178 247	183 438	178 976	198 649
Government - capital	1	92 677	86 207	70 995	40 299	42 299	42 299	42 299	39 743	42 591	44 933
Interest		2 296	2 988	3 993	3 887	4 532	4 532	4 532	4 000	4 248	4 499
Dividends									-	-	-
<b>Payments</b>											
Suppliers and employees		(105 107)	(104 454)	(113 136)	(137 972)	(141 417)	(141 417)	(141 417)	(162 334)	(173 007)	(184 433)
Finance charges		(309)			(900)	(765)	(765)	(765)	(60)	(64)	(67)
Transfers and Grants	1				(20 900)	(21 423)	(21 423)	(21 423)	(26 575)	(11 673)	(21 771)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>91 009</b>	<b>102 171</b>	<b>99 657</b>	<b>75 010</b>	<b>76 544</b>	<b>76 544</b>	<b>76 544</b>	<b>52 477</b>	<b>56 222</b>	<b>57 853</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		19	10							-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
<b>Payments</b>											
Capital assets		(86 369)	(92 902)	(67 202)	(58 749)	(84 619)	(84 619)	(84 619)	(57 900)	(42 591)	(44 933)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(86 349)</b>	<b>(92 892)</b>	<b>(67 202)</b>	<b>(58 749)</b>	<b>(84 619)</b>	<b>(84 619)</b>	<b>(84 619)</b>	<b>(57 900)</b>	<b>(42 591)</b>	<b>(44 933)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans						10 000	10 000	10 000	-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
<b>Payments</b>											
Repayment of borrowing				10 000	(10 000)	(10 000)	(10 000)	(10 000)	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>10 000</b>	<b>(10 000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>4 659</b>	<b>9 278</b>	<b>42 455</b>	<b>6 261</b>	<b>(8 074)</b>	<b>(8 074)</b>	<b>(8 074)</b>	<b>(5 423)</b>	<b>13 631</b>	<b>12 921</b>
Cash/cash equivalents at the year begin:	2	37 891	42 550	51 828	53 768	94 283	94 283	94 283	86 209	80 786	94 417
Cash/cash equivalents at the year end:	2	42 550	51 828	94 283	60 029	86 209	86 209	86 209	80 786	94 417	107 338

The above table shows that cash and cash equivalents of the Municipality were largely depleted between the 2012/13 and 2014/15 financial year moving from a positive cash balance of R51.7 million to an increase of R5.5 million with the approved 2016/17 MTREF. With the 2015/16 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase to R86 million by the financial year end. For the 2016/17 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to equal to R80 million by 2016/17 and steadily increasing to R107 million by 2018/19.

### **1.11.3 Cash Backed Reserves/Accumulated Surplus Reconciliation**

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 27 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

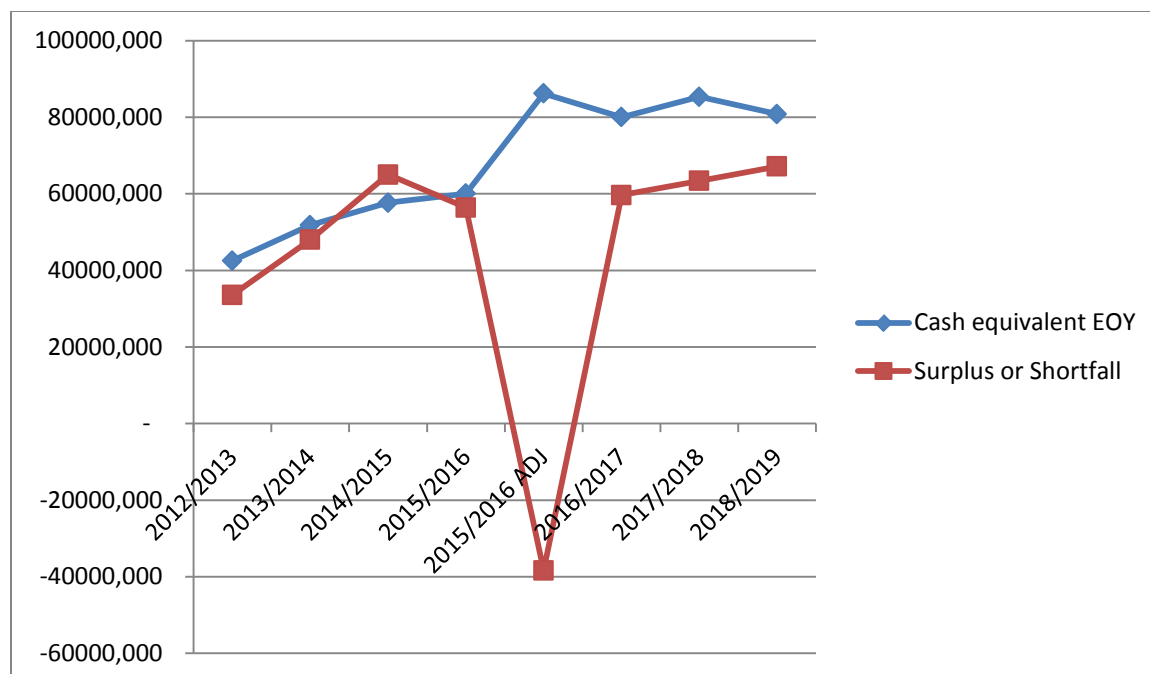
KZN435 Umzimkhulu - Table A8 Cash backed reserves/accumulated surplus reconciliation

REVENUE STATEMENT - Table A: Cash backed reserves/accumulated surplus reconciliation									2016/17 Medium Term Revenue & Expenditure Framework		
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				Budget Year	Budget Year	Budget Year
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	2016/17	+1 2017/18	+2 2018/19
R thousand											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	42 550	51 828	94 283	60 029	86 209	86 209	86 209	80 786	94 417	107 338
Other current investments > 90 days		-	-	-	-	0	0	0	(0)	(8 622)	(16 481)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>42 550</b>	<b>51 828</b>	<b>94 283</b>	<b>60 029</b>	<b>86 209</b>	<b>86 209</b>	<b>86 209</b>	<b>80 786</b>	<b>85 795</b>	<b>90 857</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		10 857	8 852	20 168	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	572									
Other working capital requirements	3	(5 640)	(5 044)	3 271	(5 439)	(5 531)	(5 531)	(5 531)	(3 150)	(3 345)	(3 543)
Other provisions		3 148			117						
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5				8 961	130 062	130 062	130 062	24 250	25 753	27 272
<b>Total Application of cash and investments:</b>		<b>8 937</b>	<b>3 808</b>	<b>23 439</b>	<b>3 639</b>	<b>124 531</b>	<b>124 531</b>	<b>124 531</b>	<b>21 100</b>	<b>22 408</b>	<b>23 730</b>
<b>Surplus(shortfall)</b>		<b>33 613</b>	<b>48 020</b>	<b>70 844</b>	<b>56 390</b>	<b>(38 322)</b>	<b>(38 322)</b>	<b>(38 322)</b>	<b>59 686</b>	<b>63 387</b>	<b>67 127</b>

From the above table it can be seen that the cash and investments available total R80 million in the 2016/17 financial year and progressively increase to R107.3 million by 2018/19, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2015/16 financial year the municipality has an unspent of R9.5 million allocated grants by National and Provincial Treasury.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as an experienced by the Municipality in the past financial years resulting in positive cash flow. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 90 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.



	Cash equivalent EOY	Surplus or Shortfall
2012/2013	42 550 000	33 613 000
2013/2014	51 828 000	48 020 000
2014/2015	57 655 000	64 997 000
2015/2016	60 029 000	56 390 000
2015/2016 ADJ	86 209 000	-38 322 000
2016/2017	80 022 000	59 686 000
2017/2018	85 326 000	63 387 000
2018/2019	80 786 000	67 127 000

**Figure 7 Cash and cash equivalents / Cash backed reserves and accumulated funds**

### 1.11.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 28 MBRR SA10 – Funding compliance measurement**

KZN435 Umzimkhulu Supporting Table SA10 Funding measurement

KENYA'S FINANCIAL STATEMENTS - 2014/15												
Description	MFMA section	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	42 550	51 828	94 283	60 029	86 209	86 209	86 209	80 786	94 417	107 338
Cash + investments at the yr end less applications - R'000	18(1)b	2	33 613	48 020	70 844	56 390	(38 322)	(38 322)	(38 322)	59 686	63 387	67 127
Cash year end/monthly employee/supplier payments	18(1)b	3	7.2	7.8	10.7	6.4	8.8	8.8	8.8	6.7	8.3	8.3
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	66 327	84 426	38 613	30 890	30 178	30 178	30 178	7 283	8 226	7 025
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	5.2%	(15.3%)	13.2%	22.7%	(6.0%)	(6.0%)	(6.0%)	0.2%	(0.1%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	103.2%	106.5%	106.4%	89.4%	90.0%	90.0%	90.0%	89.4%	89.4%	89.4%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	40.9%	3.4%	109.1%	0.7%	0.6%	0.6%	0.6%	26.8%	26.8%	26.8%
Capital payments % of capital expenditure	18(1)c,19	8	100.4%	97.1%	83.5%	101.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(7.1%)	(53.4%)	85.2%	0.0%	0.0%	0.0%	6.9%	6.2%	5.9%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.3%	1.4%	0.0%	2.5%	2.3%	2.6%	3.2%	3.1%	3.1%	3.1%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	4.3%	0.0%	0.0%	0.0%	5.2%	0.0%	0.0%

<b>Total Operating Revenue</b>			103 788	119 442	140 913	195 951	199 520	199 520	199 520	203 393	200 168	221 092
<b>Total Operating Expenditure</b>			130 137	121 223	173 295	205 360	211 640	211 640	211 640	235 853	234 533	258 999
<b>Operating Performance Surplus/(Deficit)</b>			(26 349)	(1 781)	(32 382)	(9 409)	(12 121)	(12 121)	(12 121)	(32 460)	(34 365)	(37 907)
<b>Cash and Cash Equivalents (30 June 2012)</b>										80 786		
<b>Revenue</b>												
% Increase in Total Operating Revenue				15.1%	18.0%	39.1%	1.8%	0.0%	0.0%	1.9%	(1.6%)	10.5%
% Increase in Property Rates Revenue				13.8%	(2.7%)	21.1%	31.0%	0.0%	0.0%	0.0%	6.2%	5.9%
% Increase in Electricity Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges				11.2%	(9.3%)	19.2%	28.7%	0.0%	0.0%	0.0%	6.2%	5.9%
<b>Expenditure</b>												
% Increase in Total Operating Expenditure				(6.8%)	43.0%	18.5%	3.1%	0.0%	0.0%	11.4%	(0.6%)	10.4%
% Increase in Employee Costs				22.0%	14.9%	9.6%	13.0%	0.0%	0.0%	6.6%	7.0%	7.4%
% Increase in Electricity Bulk Purchases				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)					268446.3412	273281.4317				320292.7181		
Average Cost Per Councillor (Remuneration)					341891.525	374193.625				357098.3409		
R&M % of PPE			1.3%	1.4%	0.0%	2.5%	2.3%	2.6%		3.1%	3.1%	3.1%
Asset Renewal and R&M as a % of PPE			1.0%	1.0%	0.0%	56.0%	2.0%	2.0%		5.0%	4.0%	4.0%
Debt Impairment % of Total Billable Revenue			40.9%	3.4%	109.1%	0.7%	0.6%	0.6%	0.6%	26.8%	26.8%	26.8%
<b>Capital Revenue</b>												
Internally Funded & Other (R'000)			–	11 928	6 838	17 850	42 320	42 320	42 320	18 157	–	–
Borrowing (R'000)			–	–	–	–	–	–	–	–	–	–
Grant Funding and Other (R'000)			73 565	83 774	73 620	40 299	42 299	42 299	42 299	39 743	42 591	44 933
Internally Generated funds % of Non Grant Funding			0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%
Borrowing % of Non Grant Funding			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding			100.0%	87.5%	91.5%	69.3%	50.0%	50.0%	50.0%	68.6%	100.0%	100.0%
<b>Capital Expenditure</b>												
Total Capital Programme (R'000)			73 565	95 702	80 459	58 149	84 619	84 619	84 619	57 900	42 591	44 933
Asset Renewal			–	–	–	2 500	–	–	–	3 000	–	–
Asset Renewal % of Total Capital Expenditure			0.0%	0.0%	0.0%	4.3%	0.0%	0.0%	0.0%	5.2%	0.0%	0.0%
<b>Cash</b>												
Cash Receipts % of Rate Payer & Other			103.2%	106.5%	106.4%	89.4%	90.0%	90.0%	90.0%	89.4%	89.4%	89.4%
Cash Coverage Ratio			0	0	0	0	0	0	0	0	0	0
<b>Borrowing</b>												
Credit Rating (2009/10)										0		
Capital Charges to Operating			0.1%	0.2%	(5.8%)	5.3%	5.2%	5.2%	5.2%	0.0%	0.0%	0.0%
Borrowing Receipts % of Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Reserves</b>												
Surplus/(Deficit)			33 613	48 020	70 844	56 390	(38 322)	(38 322)	(38 322)	59 686	63 387	67 127
<b>Free Services</b>												
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			0.3%	0.3%	0.0%	26.9%	22.4%	22.4%		23.9%	22.5%	22.6%
<b>High Level Outcome of Funding Compliance</b>												
Total Operating Revenue			103 788	119 442	140 913	195 951	199 520	199 520	199 520	203 393	200 168	221 092
Total Operating Expenditure			130 137	121 223	173 295	205 360	211 640	211 640	211 640	235 853	234 533	258 999
Surplus/(Deficit) Budgeted Operating Statement			(26 349)	(1 781)	(32 382)	(9 409)	(12 121)	(12 121)	(12 121)	(32 460)	(34 365)	(37 907)
Surplus/(Deficit) Considering Reserves and Cash Backing			33 613	48 020	70 844	56 390	(38 322)	(38 322)	(38 322)	59 686	63 387	67 127
MTREF Funded (1) / Unfunded (0)	15	1	1	1	1	0	0	0	0	1	1	1
MTREF Funded ✓ / Unfunded ✗	15	✓	✓	✓	✓	✗	✗	✗	✗	✓	✓	✓

#### 1.11.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2016/17 MTREF shows R80 million, R94 million and R107 million for each respective financial year. So in this case the municipality forecast cash is positive.



#### *1.11.4.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 11, on page 38. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *1.11.4.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been up significantly for the period 2012/13 to 2014/15, moving from 6.6 to 6.2 with the tabled 2016/17 MTREF. As part of the 2016/17 MTREF the municipalities improving cash position causes the ratio to move upwards to (6.6) and then increase slightly to (6.2 and 5.9) for the outer years. As indicated above the Municipality it aims is to achieve at least two month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

#### *1.11.4.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2016/17 MTREF the indicative outcome is a surplus of R7.3 , R8.2 and –R7 milliom.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

#### *1.11.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3.5 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 12.9, 1.9 and 2.5 per cent for the respective financial year of the 2016/17 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 4 per cent. However, the outcome is lower than it might be due to the slowdown in

the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

#### *1.11.4.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 89.4, 89.4 and 89.4 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 86 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *1.11.4.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 0.7, 0 and 0 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *1.11.4.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep 100% compliance with the legislative requirement that debtors be paid within 30 days.

#### *1.11.4.9 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DORA) have been budgeted for. The Municipality has budgeted for all transfers.

#### *1.11.4.10 Consumer debtors change (Current and Non-current)*

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtors accounts within 30 days.

#### *1.11.4.11 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 42 MBRR SA34C on page 95.

#### *1.11.4.12 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 1.12 Expenditure on grants and reconciliations of unspent funds

**Table 29 MBRR SA19 - Expenditure on transfers and grant programmes**

KZN435 Umzimkhulu - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
National Government:		90 525	102 206	122 430	177 503	164 503	176 503	182 173	177 656	197 273
Local Government Equitable Share		85 299	96 838	116 142	151 222	151 222	151 222	152 393	163 981	173 501
Finance Management		1 500	1 650	1 800	1 800	1 800	1 800	1 825	1 900	1 900
Integrated National Electrification Programme					20 000	7 000	19 000	25 000	10 000	20 000
EPWP Incentiv e		1 000	1 000	1 913	1 872	1 872	1 872	1 299	-	-
Municipal Systems Improvement		800	890	934	930	930	930	-	-	-
MIG Admin cost 4% of R41 399 000		1 926	1 828	1 641	1 679	1 679	1 679	1 656	1 775	1 872
Provincial Government:		359	653	681	744	744	744	1 265	1 320	1 376
		359	139	146	191	191	191	380	400	419
Community Library Services Grant			514	535	553	553	553	885	920	957
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total operating expenditure of Transfers and Grants</b>		90 884	102 859	123 111	178 247	165 247	177 247	183 438	178 976	198 649
<b>Capital expenditure of Transfers and Grants</b>										
National Government:		71 497	70 610	63 733	40 299	40 299	40 299	39 743	42 591	44 933
Municipal Infrastructure Grant (MIG)		48 144	43 879	39 392	40 299	40 299	40 299	39 743	42 591	44 933
Neighbourhood Development Partnership		13 353	11 731	9 338						
Integrated National Electrification Programme		10 000	15 000	15 004						
Provincial Government:		-	-	5 059	-	2 000	2 000	-	-	-
Small Town Rehabilitation SMME				5 059	-	2 000	2 000			
Electrification				3 500						
District Municipality:		-	-	3 000	-	-	-	-	-	-
Electrification				3 000						
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total capital expenditure of Transfers and Grants</b>		71 497	70 610	71 793	40 299	42 299	42 299	39 743	42 591	44 933
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		162 381	173 469	194 904	218 546	207 546	219 546	223 181	221 567	243 582

**Table 30 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds**

KZN435 Umzimkhulu - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>										
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		90 351	100 877	122 430	177 503	177 503	177 503	182 173	177 656	197 273
Conditions met - transferred to revenue		90 351	100 877	122 430	177 503	177 503	177 503	182 173	177 656	197 273
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year				5						
Current year receipts		359	653	681	744	744	744	1 265	1 320	1 376
Conditions met - transferred to revenue		359	653	686	744	744	744	1 265	1 320	1 376
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Total operating transfers and grants revenue</b>		90 710	101 530	123 116	178 247	178 247	178 247	183 438	178 976	198 649
<b>Total operating transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year				16 000		6 662				
Current year receipts		73 565	83 774	59 223	40 299	35 742	40 299	39 743	42 591	44 933
Conditions met - transferred to revenue		73 565	83 774	68 561	40 299	37 358	40 299	39 743	42 591	44 933
Conditions still to be met - transferred to liabilities				6 662		5 046				
<b>Provincial Government:</b>										
Balance unspent at beginning of the year				8 000		2 941				
Current year receipts					-	2 000	2 000			
Conditions met - transferred to revenue		-	-	5 059	-	4 941	2 000	-	-	-
Conditions still to be met - transferred to liabilities				2 941		-				
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Total capital transfers and grants revenue</b>		73 565	83 774	73 620	40 299	42 299	42 299	39 743	42 591	44 933
<b>Total capital transfers and grants - CTBM</b>	2	-	-	9 603	-	5 046	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		164 275	185 304	196 737	218 546	220 546	220 546	223 181	221 567	243 582
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		-	-	9 603	-	5 046	-	-	-	-

## 1.13 Councillor and employee benefits

**Table 31 MBRR SA22 - Summary of councillor and staff benefits**

KZN435 Umzimkhulu - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages		8 652	9 521	10 583	8 424	8 473	8 473	9 037	9 669	10 385
Pension and UIF Contributions		767	872	953	1 866	1 808	1 808	1 808	1 935	2 078
Medical Aid Contributions		74	101	146	691	530	530	530	567	609
Motor Vehicle Allowance		1 396	1 294	894	2 275	1 651	1 651	1 651	1 767	1 898
Cellphone Allowance		1 015	1 310	1 099	541	1 305	1 305	1 305	1 397	1 500
Housing Allowances					835	875	875	875	936	1 005
Other benefits and allowances					334	156	156	506	541	581
<b>Sub Total - Councillors</b>		<b>11 905</b>	<b>13 099</b>	<b>13 676</b>	<b>14 968</b>	<b>14 798</b>	<b>14 798</b>	<b>15 712</b>	<b>16 812</b>	<b>18 056</b>
% increase	4		10.0%	4.4%	9.4%	(1.1%)	-	6.2%	7.0%	7.4%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		2 680	2 583	2 982	5 394	5 392	5 392	5 742	6 144	6 599
Pension and UIF Contributions		558	588	683	59	60	60	11	11	12
Medical Aid Contributions										
Overtime										
Performance Bonus		-	302	473	485	593	593	632	676	726
Motor Vehicle Allowance	3	1 077	1 076	1 155	-	-	-			
Cellphone Allowance	3	75	72	78	78	144	144	144	154	165
Housing Allowances	3	88	59	143		-	-			
Other benefits and allowances	3	148	110	46		77	77	77	83	89
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Senior Managers of Municipality</b>		<b>4 626</b>	<b>4 791</b>	<b>5 560</b>	<b>6 017</b>	<b>6 266</b>	<b>6 266</b>	<b>6 606</b>	<b>7 068</b>	<b>7 591</b>
% increase	4		3.6%	16.1%	8.2%	4.1%	-	5.4%	7.0%	7.4%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		25 520	28 048	31 952	30 973	32 202	32 202	34 852	37 292	40 052
Pension and UIF Contributions		2 397	3 243	3 749	4 639	4 929	4 929	5 199	5 563	5 975
Medical Aid Contributions		959	1 471	1 975	1 850	2 366	2 366	2 366	2 532	2 719
Overtime		277	429	675	718	993	993	992	1 062	1 140
Performance Bonus		978	1 999	2 480	2 542	2 770	2 770	3 002	3 213	3 450
Motor Vehicle Allowance	3	1 052	1 509	1 733	1 428	2 520	2 520	2 520	2 696	2 896
Cellphone Allowance	3				158	359	359	854	914	982
Housing Allowances	3	932	1 051	1 098	1 038	1 133	1 133	1 162	1 243	1 335
Other benefits and allowances	3	439	2 100	1 974	159	2 955	2 955	2 661	2 848	3 058
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Other Municipal Staff</b>		<b>32 555</b>	<b>39 849</b>	<b>45 636</b>	<b>43 505</b>	<b>50 226</b>	<b>50 226</b>	<b>53 609</b>	<b>57 362</b>	<b>61 607</b>
% increase	4		22.4%	14.5%	(4.7%)	15.4%	-	6.7%	7.0%	7.4%
<b>Total Parent Municipality</b>		<b>49 085</b>	<b>57 739</b>	<b>64 872</b>	<b>64 489</b>	<b>71 290</b>	<b>71 290</b>	<b>75 927</b>	<b>81 242</b>	<b>87 254</b>
			17.6%	12.4%	(0.6%)	10.5%	-	6.5%	7.0%	7.4%
<b>Board Members of Entities</b>										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Board Fees										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Board Members of Entities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
% increase	4		-	-	-	-	-	-	-	-

<b>Senior Managers of Entities</b>										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Senior Managers of Entities</b>		-	-	-	-	-	-	-	-	-
<b>% increase</b>	4	-	-	-	-	-	-	-	-	-
<b>Other Staff of Entities</b>										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Other Staff of Entities</b>		-	-	-	-	-	-	-	-	-
<b>% increase</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Municipal Entities</b>		-	-	-	-	-	-	-	-	-
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		49 085	57 739	64 872	64 489	71 290	71 290	75 927	81 242	87 254
<b>% increase</b>	4		17.6%	12.4%	(0.6%)	10.5%	-	6.5%	7.0%	7.4%
<b>TOTAL MANAGERS AND STAFF</b>	5,7	37 180	44 640	51 196	49 521	56 492	56 492	60 215	64 430	69 198

KZN435 Umzimkhulu - Supporting Table SA23 Salaries, allowances &amp; benefits (political office bearers/councillors/senior managers)

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**Table 33 MBRR SA24 – Summary of personnel numbers**

KZN435 Umzimkhulu - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers Number	Ref	2014/15			Current Year 2015/16			Budget Year 2016/17		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		40	6	34	40	6	34	44	6	38
Board Members of municipal entities	4									
Municipal employees	5									
Municipal Manager and Senior Managers	3	6	–	6	6	–	6	6	–	6
Other Managers	7									
Professionals		140	125	15	139	119	20	141	121	20
Finance		18	16	2	25	17	8	24	17	7
Spatial/town planning		7	4	3	10	8	2	12	9	3
Information Technology										
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other		115	105	10	104	94	10	105	95	10
Technicians		24	23	1	32	31	1	32	31	1
Finance										
Spatial/town planning										
Information Technology										
Roads		4	3	1	4	3	1	4	3	1
Electricity		2	2		2	2		2	2	–
Water										
Sanitation										
Refuse		18	18		26	26	–	26	26	–
Other										
Clerks (Clerical and administrative)										
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators					6	–	6	9	5	4
Elementary Occupations										
<b>TOTAL PERSONNEL NUMBERS</b>	9	210	154	56	223	156	67	232	163	69
% increase					6.2%	1.3%	19.6%	4.0%	4.5%	3.0%
Total municipal employees headcount	6, 10									
Finance personnel headcount	8, 10									
Human Resources personnel headcount	8, 10									



## 2.9 Monthly targets for revenue, expenditure and cash flow

**Table 34 MBRR SA25 - Budgeted monthly revenue and expenditure**

KZN435 Umzimkhulu - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand																
Revenue By Source																
Property rates		5 000	489	489	489	489	489	489	489	489	489	489	489	10 380	11 023	11 674
Property rates - penalties & collection charges											-		-	-	-	-
Service charges - electricity revenue											-		-	-	-	-
Service charges - water revenue											-		-	-	-	-
Service charges - sanitation revenue											-		-	-	-	-
Service charges - refuse revenue		69	69	69	69	69	69	69	69	69	69	69	69	830	881	933
Service charges - other													-	-	-	-
Rental of facilities and equipment		94	94	94	94	94	94	94	94	94	94	94	94	1 131	1 201	1 272
Interest earned - external investments		333	333	333	333	333	333	333	333	333	333	333	333	4 000	4 248	4 499
Interest earned - outstanding debtors		10	10	10	10	10	10	10	10	10	10	10	10	120	127	135
Dividends received													-	-	-	-
Fines		75	75	75	75	75	75	75	75	75	75	75	75	900	956	1 012
Licences and permits		38	38	38	38	38	38	38	38	38	38	38	38	450	478	506
Agency services													-	-	-	-
Transfers recognised - operational		78 848	-	8 000	-	55 407			550	40 633			-	183 438	178 976	198 649
Other revenue		179	179	179	179	179	179	179	179	179	179	179	179	2 144	2 277	2 411
Gains on disposal of PPE													-	-	-	-
Total Revenue (excluding capital transfers and contributions)		84 646	1 287	9 287	1 287	56 694	1 287	1 287	1 837	41 920	1 287	1 287	1 287	203 393	200 168	221 092
Expenditure By Type																
Employee related costs		5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	60 215	64 430	69 198
Remuneration of councillors		1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	15 712	16 812	18 056
Debt impairment							1 500	-					1 500	3 000	3 186	3 374
Depreciation & asset impairment		3 320	3 320	3 320	3 320	3 320	3 320	3 320	3 320	3 320	3 320	3 320	3 320	39 837	42 307	44 803
Finance charges		5	5	5	5	5	5	5	5	5	5	5	5	60	64	67
Bulk purchases													-	-	-	-
Other materials													-	-	-	-
Contracted services		573	573	573	573	573	573	573	573	573	573	573	573	6 874	7 300	7 731
Transfers and grants		2 552	2 552	2 552	2 552	2 552	2 552	2 552	2 552	2 552	2 552	2 552	2 552	30 622	15 970	26 322
Other expenditure		6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	79 533	84 465	89 448
Loss on disposal of PPE													-	-	-	-
Total Expenditure		19 404	19 404	19 404	19 404	19 404	20 904	19 404	19 404	19 404	19 404	19 404	20 904	235 853	234 533	258 999
Surplus/(Deficit)																
Transfers recognised - capital		65 242	(18 117)	(10 117)	(18 117)	37 290	(19 617)	(18 117)	(17 567)	22 516	(18 117)	(18 117)	(19 617)	(32 460)	(34 365)	(37 907)
Contributions recognised - capital		3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	39 743	42 591	44 933
Contributed assets													-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		68 553	(14 805)	(6 805)	(14 805)	40 602	(16 305)	(14 805)	(14 255)	25 827	(14 805)	(14 805)	(16 305)	7 283	8 226	7 025
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	68 553	(14 805)	(6 805)	(14 805)	40 602	(16 305)	(14 805)	(14 255)	25 827	(14 805)	(14 805)	(16 305)	7 283	8 226	7 025

**Table 35 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

KZN435 Umzimkhulu - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand																
Revenue by Vote																
Vote 1 - Executive & Council		2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	30 479	32 796	34 700
Vote 2 - Budget & Treasury Office		3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	39 504	42 236	44 592
Vote 3 - Corporate Services		1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	22 859	24 597	26 025
Vote 4 - Community & Social Services		2 198	2 198	2 198	2 198	2 198	2 198	2 198	2 198	2 198	2 198	2 198	2 198	26 370	28 281	29 906
Vote 5 - Strategic Planning		1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	13 937	14 888	15 752
Vote 6 - Infrastructure		9 166	9 166	9 166	9 166	9 166	9 166	9 166	9 166	9 166	9 166	9 166	9 166	109 987	99 961	115 048
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Total Revenue by Vote		20 261	20 261	20 261	20 261	20 261	20 261	20 261	20 261	20 261	20 261	20 261	20 261	243 136	242 759	266 025
Expenditure by Vote to be appropriated																
Vote 1 - Executive & Council		2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	33 776	35 870	37 987
Vote 2 - Budget & Treasury Office		2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	27 781	29 503	31 244
Vote 3 - Corporate Services		2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	25 980	27 591	29 219
Vote 4 - Community & Social Services		2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	29 982	31 841	33 720
Vote 5 - Strategic Planning		1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	22 640	24 044	25 462
Vote 6 - Infrastructure		7 974	7 974	7 974	7 974	7 974	7 974	7 974	7 974	7 974	7 974	7 974	7 974	95 693	101 626	107 622
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Total Expenditure by Vote		19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	235 853	250 476	265 254
Surplus/(Deficit) before assoc.		607	607	607	607	607	607	607	607	607	607	607	607	7 283	(7 716)	771
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	607	607	607	607	607	607	607	607	607	607	607	607	7 283	(7 716)	771

**Table 36 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

KZN435 Umzimkhulu - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue - Standard</b>																
<i>Governance and administration</i>		7 737	7 737	7 737	7 737	7 737	7 737	7 737	7 737	7 737	7 737	7 737	7 737	92 841	99 629	105 318
Executive and council		2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	2 540	30 479	32 796	34 700
Budget and treasury office		3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	3 292	39 504	42 236	44 592
Corporate services		1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	1 905	22 859	24 597	26 025
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-	-	-	25 540	25 540	27 400	28 973
Community and social services													25 540	25 540	27 400	28 973
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		7 015	7 015	7 015	7 015	7 015	7 015	7 015	7 015	7 015	7 015	7 015	7 015	84 182	72 258	85 868
Planning and development		1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	1 161	13 937	14 888	15 752
Road transport		5 854	5 854	5 854	5 854	5 854	5 854	5 854	5 854	5 854	5 854	5 854	5 854	70 244	57 370	70 116
Environmental protection													-	-	-	-
<i>Trading services</i>		69	69	69	69	69	69	69	69	69	69	69	69	830	881	933
Electricity													-	-	-	-
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management		69	69	69	69	69	69	69	69	69	69	69	69	830	881	933
<i>Other</i>													-	-	-	-
<b>Total Revenue - Standard</b>		14 821	14 821	14 821	14 821	14 821	14 821	14 821	14 821	14 821	14 821	14 821	40 361	203 393	200 168	221 092
<b>Expenditure - Standard</b>																
<i>Governance and administration</i>		7 295	7 295	7 295	7 295	7 295	7 295	7 295	7 295	7 295	7 295	7 295	7 295	87 537	92 965	98 450
Executive and council		2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	33 776	35 870	37 987
Budget and treasury office		2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	2 315	27 781	29 503	31 244
Corporate services		2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	2 165	25 980	27 591	29 219
<i>Community and public safety</i>		2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	29 982	31 841	33 720
Community and social services		2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	2 499	29 982	31 841	33 720
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		9 780	9 780	9 780	9 780	9 780	9 780	9 780	9 780	9 780	9 780	9 780	9 780	117 356	124 632	131 985
Planning and development		1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	1 887	22 640	24 044	25 462
Road transport		7 893	7 893	7 893	7 893	7 893	7 893	7 893	7 893	7 893	7 893	7 893	7 893	94 716	100 588	106 523
Environmental protection													-	-	-	-
<i>Trading services</i>		81	81	81	81	81	81	81	81	81	81	81	81	977	1 038	1 099
Electricity													-	-	-	-
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management		81	81	81	81	81	81	81	81	81	81	81	81	977	1 038	1 099
<i>Other</i>													-	-	-	-
<b>Total Expenditure - Standard</b>		19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	19 654	235 853	250 476	265 254
<b>Surplus/(Deficit) before assoc.</b>		(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	20 707	(32 460)	(50 308)	(44 162)
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	1	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	(4 833)	20 707	(32 460)	(50 308)	(44 162)

**Table 37 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

KZN435 Umzimkhulu - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand																
<u>Single-year expenditure to be appropriated</u>																
Vote 1 - Executive & Council					50			50					50	150	-	-
Vote 2 - Budget & Treasury Office			40				17						-	57	-	-
Vote 3 - Corporate Services						1 000				500			-	1 500	-	-
Vote 4 - Community & Social Services						400		550					50	1 000	-	-
Vote 5 - Strategic Planning						400							50	450	-	-
Vote 6 - Infrastructure		4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	54 743	42 591	44 933
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Capital single-year expenditure sub-total	2	4 562	4 602	4 562	4 612	6 362	4 579	5 162	4 562	5 062	4 562	4 562	4 712	57 900	42 591	44 933
Total Capital Expenditure	2	4 562	4 602	4 562	4 612	6 362	4 579	5 162	4 562	5 062	4 562	4 562	4 712	57 900	42 591	44 933

**Table 38 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

KZN435 Umzimkhulu - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital Expenditure - Standard</b>	1															
<i>Governance and administration</i>		-	40	-	50	1 000	17	50	-	500	-	-	50	1 707	-	-
Executive and council					50			50					50	150	-	-
Budget and treasury office			40				17						-	57	-	-
Corporate services						1 000				500			-	1 500	-	-
<i>Community and public safety</i>		-	-	-	-	400	-	550	-	-	-	-	50	1 000	-	-
Community and social services						400		550					50	1 000	-	-
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		4 562	4 562	4 562	4 562	4 962	4 562	4 562	4 562	4 562	4 562	4 562	4 612	55 193	42 591	44 933
Planning and development						400							50	450	-	-
Road transport		4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	4 562	54 743	42 591	44 933
Environmental protection													-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity													-	-	-	-
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management													-	-	-	-
<i>Other</i>													-	-	-	-
<b>Total Capital Expenditure - Standard</b>	2	4 562	4 602	4 562	4 612	6 362	4 579	5 162	4 562	5 062	4 562	4 562	4 712	57 900	42 591	44 933
<b>Funded by:</b>																
National Government		3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	39 743	42 591	44 933
Provincial Government													-	-	-	-
District Municipality													-	-	-	-
Other transfers and grants													-	-	-	-
Transfers recognised - capital		3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	3 312	39 743	42 591	44 933
Public contributions & donations													-	-	-	-
Borrowing													-	-	-	-
Internally generated funds		1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	18 157	-	-
<b>Total Capital Funding</b>		4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	57 900	42 591	44 933

**Table 39 MBRR SA30 - Budgeted monthly cash flow**

KZN435 Umzimkhulu - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash Receipts By Source</b>													1		
Property rates	357	5 000	357	357	357	357	357	357	357	357	357	357	8 927	9 480	10 039
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	59	59	59	59	59	59	59	59	59	59	59	59	714	758	803
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	94	94	94	94	94	94	94	94	94	94	94	94	1 131	1 201	1 272
Interest earned - external investments	333	333	333	333	333	333	333	333	333	333	333	333	4 000	4 248	4 499
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	75	75	75	75	75	75	75	75	75	75	75	75	900	956	1 012
Licences and permits	38	38	38	38	38	38	38	38	38	38	38	38	450	478	506
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	78 848	-	8 000	-	55 407	-	-	550	40 633	-	-	-	183 438	178 976	198 649
Other revenue	179	179	179	179	179	179	179	179	179	179	179	179	2 144	2 277	2 411
<b>Cash Receipts by Source</b>	<b>79 983</b>	<b>5 778</b>	<b>9 135</b>	<b>1 135</b>	<b>56 542</b>	<b>1 135</b>	<b>1 135</b>	<b>1 685</b>	<b>41 768</b>	<b>1 135</b>	<b>1 135</b>	<b>1 135</b>	<b>201 704</b>	<b>198 374</b>	<b>219 192</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	15 000	-	-	14 000	-	-	-	-	10 743	-	-	-	39 743	42 591	44 933
Contributions recognised - capital & Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Receipts by Source</b>	<b>94 983</b>	<b>5 778</b>	<b>9 135</b>	<b>15 135</b>	<b>56 542</b>	<b>1 135</b>	<b>1 135</b>	<b>1 685</b>	<b>52 511</b>	<b>1 135</b>	<b>1 135</b>	<b>1 135</b>	<b>241 447</b>	<b>240 965</b>	<b>264 125</b>
<b>Cash Payments by Type</b>															
Employee related costs	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	60 215	64 430	69 198
Remuneration of councillors	1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	1 309	15 712	16 812	18 056
Finance charges	5	5	5	5	5	5	5	5	5	5	5	5	60	64	67
Bulk purchases - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	573	573	573	573	573	573	573	573	573	573	573	573	6 874	7 300	7 731
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	2 215	2 215	2 215	2 215	2 215	2 215	2 215	2 215	2 215	2 215	2 215	2 215	26 575	11 673	21 771
Other expenditure	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	79 533	84 465	89 448
<b>Cash Payments by Type</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>15 747</b>	<b>188 969</b>	<b>184 743</b>	<b>206 271</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	4 825	57 900	42 591	44 933
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Payments by Type</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>20 572</b>	<b>246 869</b>	<b>227 334</b>	<b>251 204</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>74 411</b>	<b>(14 794)</b>	<b>(11 437)</b>	<b>(5 437)</b>	<b>35 970</b>	<b>(19 437)</b>	<b>(19 437)</b>	<b>(18 887)</b>	<b>31 939</b>	<b>(19 437)</b>	<b>(19 437)</b>	<b>(19 437)</b>	<b>(5 423)</b>	<b>13 631</b>	<b>12 921</b>
Cash/cash equivalents at the month/year begin:	86 209	160 620	145 825	134 388	128 951	164 921	145 484	126 046	107 159	139 098	119 661	100 223	86 209	80 786	94 417
Cash/cash equivalents at the month/year end:	160 620	145 825	134 388	128 951	164 921	145 484	126 046	107 159	139 098	119 661	100 223	80 786	80 786	94 417	107 338



## 1.14 Annual budgets and SDBIPs – internal departments

The SBIP is assembled in a way that it is aligned with annual budget and IDP.

## 1.15 Contracts having future budgetary implications (SA33)

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## 1.16 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

**Table 40 MBRR SA 34a - Capital expenditure on new assets by asset class**

KZN435 Umzimkhulu - Supporting Table SA34a Capital expenditure on new assets by asset class

Description  R thousand	R ef	2012/13	2013 /14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audi ted Out com e	Audited Outcom e	Original Budget	Adjuste d Budget	Full Year Foreca st	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>										
–										
<u>Infrastructure</u>		86 055	59 481	45 282	25 019	37 662	37 662	31 778	42 591	44 933
Infrastructure - Road transport		86 055	42 990	23 778	24 519	35 094	35 094	31 778	42 591	44 933
<i>Roads, Pavements &amp; Bridges</i>		86 055	42 990	23 778	24 519	35 094	35 094	31 778	42 591	44 933
<i>Storm water</i>										
Infrastructure - Electricity		–	15 000	21 504	–	–	–	–	–	–
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>			15 000	21 504						
<i>Street Lighting</i>										
Infrastructure - Water		–	–	–	–	–	–	–	–	–
<i>Dams &amp; Reservoirs</i>										
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
<i>Reticulation</i>										
<i>Sewerage purification</i>										
Infrastructure - Other		–	1 491	–	500	2 569	2 569	–	–	–
<i>Waste Management</i>			958							
<i>Transportation</i>	2									

Gas								
Other	3	533		500	2 569	2 569		
<b>Community</b>		18 356	18 325	13 780	10 327	10 327	4 471	-
Parks & gardens		13 446	8 431	12 900	9 420	9 420		
Sportsfields & stadia		4 910	7 500	380	207	207		
Swimming pools								
Community halls								
Libraries								
Recreational facilities								
Fire, safety & emergency								
Security and policing								
Buses	7							
Clinics								
Museums & Art Galleries								
Cemeteries					200	200	1 200	
Social rental housing	8							
Other			2 394	500	500	500	3 271	
<b>Heritage assets</b>		-	4 954	-	6 662	6 662	7 000	-
Buildings		428	4 954		6 662	6 662	7 000	
Other	9							
<b>Investment properties</b>		-	-	-	-	-	-	-
Housing development								
Other								
<b>Other assets</b>		-	11 897	16 850	27 217	27 217	9 850	-
General vehicles		3 412		7 250	8 450	8 450	400	
Specialised vehicles	10	-	2 139	4 300	4 300	4 300	600	-
Plant & equipment		7 885	3 647		8 000	8 000		
Computers - hardware/equipment			553	100	200	200		
Furniture and other office equipment		403		200	400	400	357	
Abattoirs								
Markets								
Civic Land and Buildings								
Other Buildings		5 500	5 059	5 000	5 367	5 367	8 493	
Other Land			499					
Surplus Assets - (Investment or Inventory)								
Other		237			500	500		
<b>Agricultural assets</b>		-	-	-	-	-	-	-
<i>List sub-class</i>								
<b>Biological assets</b>		-	-	-	-	-	-	-
<i>List sub-class</i>								
<b>Intangibles</b>		-	-	-	2 750	2 750	1 800	-
Computers - software & programming					2 750	2 750	1 800	
Other ( <i>list sub-class</i> )								

Total Capital Expenditure on new assets	1	86 055	95 702	80 459	55 649	84 619	84 619	54 900	42 591	44 933
<u>Specialised vehicles</u>		–	–	2 139	4 300	4 300	4 300	600	–	–
Refuse				2 139	800	800	800			
Fire					500	500	500	600		
Conservancy					3 000	3 000	3 000			
Ambulances										

Table 41 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

KZN435 Umzimkhulu - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1									
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		-	-	-	2 500	-	-	-	-	-
Infrastructure - Road transport		-	-	-	2 500	-	-	-	-	-
Roads, Pavements & Bridges					2 500					
Storm water										
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Generation										
Transmission & Reticulation										
Street Lighting										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Dams & Reservoirs										
Water purification										
Reticulation										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation										
Sewerage purification										
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Waste Management										
Transportation	2									
Gas										
Other	3									
<b>Community</b>		-	-	-	-	-	-	-	-	-
Parks & gardens										
Sportsfields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other										
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<b>Other assets</b>		-	-	-	-	-	-	3 000	-	-
General vehicles										
Specialised vehicles	10	-	-	-	-	-	-	-	-	-
Plant & equipment								3 000		
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
List sub-class										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
List sub-class										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (list sub-class)										
<b>Total Capital Expenditure on renewal of existing</b>	1	-	-	-	2 500	-	-	3 000	-	-

**Table 42 MBRR SA34c - Repairs and maintenance expenditure by asset class**

KZN435 Umzimkhulu - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1									
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>										
-										
<b>Infrastructure</b>		4 666	3 884	-	8 250	7 665	7 665	10 000	10 620	11 247
Infrastructure - Road transport		4 666	2 986	-	6 250	5 665	5 665	8 500	9 027	9 560
<i>Roads, Pavements &amp; Bridges</i>		4 666	2 986		6 250	5 665	5 665	8 500	9 027	9 560
<i>Storm water</i>										
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>										
<i>Street Lighting</i>										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
<i>Dams &amp; Reservoirs</i>										
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>										
<i>Sewerage purification</i>										
Infrastructure - Other		-	898	-	2 000	2 000	2 000	1 500	1 593	1 687
<i>Waste Management</i>			866							
<i>Transportation</i>	2									
<i>Gas</i>										
<i>Other</i>	3		33		2 000	2 000	2 000	1 500	1 593	1 687
<b>Community</b>		44	586	-	2 500	2 000	2 000	2 300	2 443	2 587
Parks & gardens			78		1 000	1 000	1 000	1 000	1 062	1 125
Sportsfields & stadia									-	-
Swimming pools										
Community halls		44	508		1 000	1 000	1 000	750	797	843
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other					500			550	584	619
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									

		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>										
Housing development										
Other										
<b>Other assets</b>		132	1 420	-	2 940	2 440	2 440	2 890	3 069	3 250
General vehicles	10	126	534	-	650	950	950	750	797	843
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment			89		300			300	319	337
Computers - hardware/equipment										
Furniture and other office equipment		6	178		490	490	490	340	361	382
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings			620		1 500	1 000	1 000	1 500	1 593	1 687
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other ( <i>list sub-class</i> )										
<b>Total Repairs and Maintenance Expenditure</b>	1	4 841	5 891	-	13 690	12 105	12 105	15 190	16 132	17 084

**Table 43 MBRR SA35 - Future financial implications of the capital budget**

KZN435 Umzimkhulu - Supporting Table SA35 Future financial implications of the capital budget

Vote Description R thousand	Re f	2016/17 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Present value
<b>Capital expenditure</b>	1							
Vote 1 - Executive & Council		150	-	-				
Vote 2 - Budget & Treasury Office		57	-	-				
Vote 3 - Corporate Services		500	-	-				
Vote 4 - Community & Social Services		000	-	-				
Vote 5 - Strategic Planning		450	-	-				
Vote 6 - Infrastructure		54	42	44				
Vote 7 - [NAME OF VOTE 7]		743	591	933				
Vote 8 - [NAME OF VOTE 8]		-	-	-				
Vote 9 - [NAME OF VOTE 9]		-	-	-				
Vote 10 - [NAME OF VOTE 10]		-	-	-				
Vote 11 - [NAME OF VOTE 11]		-	-	-				
Vote 12 - [NAME OF VOTE 12]		-	-	-				
Vote 13 - [NAME OF VOTE 13]		-	-	-				
Vote 14 - [NAME OF VOTE 14]		-	-	-				
Vote 15 - [NAME OF VOTE 15]		-	-	-				
<i>List entity summary if applicable</i>								
<b>Total Capital Expenditure</b>		57 900	42 591	44 933	-	-	-	-
<b>Future operational costs by vote</b>	2							
Vote 1 - Executive & Council								
Vote 2 - Budget & Treasury Office								
Vote 3 - Corporate Services								
Vote 4 - Community & Social Services								
Vote 5 - Strategic Planning								
Vote 6 - Infrastructure								
Vote 7 - [NAME OF VOTE 7]								
Vote 8 - [NAME OF VOTE 8]								
Vote 9 - [NAME OF VOTE 9]								
Vote 10 - [NAME OF VOTE 10]								
Vote 11 - [NAME OF VOTE 11]								
Vote 12 - [NAME OF VOTE 12]								
Vote 13 - [NAME OF VOTE 13]								
Vote 14 - [NAME OF VOTE 14]								
Vote 15 - [NAME OF VOTE 15]								
<i>List entity summary if applicable</i>								
<b>Total future operational costs</b>		-	-	-	-	-	-	-
<b>Future revenue by source</b>	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								

Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
List other revenues sources if applicable								
List entity summary if applicable								
Total future revenue		-	-	-	-	-	-	-
Net Financial Implications		57 900	42 591	44 933	-	-	-	-



**Table 44 MBRR SA36 - Detailed capital budget per municipal vote**

KZN435 Umzimkhulu - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2016/17 Medium Term Revenue & Expenditure Framework			Project information	
										Audited Outcome 2014/15	Current Year 2015/16 Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	Ward location	New or renewal
R thousand	4			2	6	3	3	5								
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>																
Infrastructure		Fencing of Cemeteries - Town			Yes	Community	Cemeteries					1 200				
Infrastructure		Lukheltheni Access Road			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					4 988				
Infrastructure		Esikhwini Access Road			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2 504				
Infrastructure		Nozibhobo Access Road			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2 545				
Infrastructure		Surfacing of Ibisi Township Roads			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					12 949				
Infrastructure		Magwala Access Road			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					4 691				
Infrastructure		Van Rank SMME Hub			Yes	Other Assets	Other					3 271				
Infrastructure		Mbuzweni to Gijima Access Road			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					4 102				
Infrastructure		Umzimkhulu New Traffic Offices			Yes	Other Assets	Buildings					3 493				
Parent Capital expenditure	1											39 743	-	-		
Entities: <i>List all capital projects grouped by Entity</i>																
Entity A																
Water project A																
Entity B																
Electricity project B																
Entity Capital expenditure										-	-	-	-	-		
Total Capital expenditure										-	-	39 743	-	-		

**Table 45 MBRR SA37 - Projects delayed from previous financial year**

KZN435 Umzimkhulu - Supporting Table SA37 Projects delayed from previous financial year/s

Municipal Vote/Capital project	Ref. 1,2	Project name	Project number	Asset Class 3	Asset Sub-Class 3	GPS co-ordinates 4	Previous target year to complete	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
								Original Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand							Year					
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>				<i>Examples</i>	<i>Examples</i>							
Infrastructure		Umzimkhulu New Traffic Offices		<i>Other Assets</i>	<i>Buildings</i>					3 493		
Entities: <i>List all capital projects grouped by Municipal Entity</i>												
Entity Name <i>Project name</i>												

## 1.17 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed seven interns undergoing training in various divisions of the Financial Services Department. Since August 2012 five interns has been appointed permanently by municipality. Since the introduction of the Internship programme the Municipality has successfully employed and trained 15 interns through this programme and a majority of them were appointed either in the Municipality or other Institutions such as KPMG, Ernest &Young, SARS, Auditor General, and National Treasury.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP 2015/2016 document is at a final stage and the mayor will approval it on or before 25 June 2015 as per the Municipal Finance Management Act Section 53 ( c) (ii), directly aligned and informed by the 2015/16 MTREF.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training  
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
8. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

## 1.18 Other supporting documents

**Table 46 MBRR Table SA1 - Supporting detail to budgeted financial performance**

KZN435 Umzimkhulu - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
<b>REVENUE ITEMS:</b>											
<u>Property rates</u>	6										
Total Property Rates		5 905	6 719	6 539	12 688	15 146	15 146	15 146	15 146	16 085	17 034
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i>					4 766	4 766	4 766	4 766	4 766	5 061	5 360
Net Property Rates		5 905	6 719	6 539	7 922	10 380	10 380	10 380	10 380	11 023	11 674
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue											
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>											
<i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
Net Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue											
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>											
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
Net Service charges - water revenue		-	-	-	-	-	-	-	-	-	-

<b>Service charges - sanitation revenue</b>										
Total Service charges - sanitation revenue										
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>										
<i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>										
Net Service charges - sanitation revenue										
<b>Service charges - refuse revenue</b>	6									
Total refuse removal revenue										
Total landfill revenue										
<i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>										
<i>less Cost of Free Basis Services (removed once a week to indigent households)</i>										
Net Service charges - refuse revenue										
<b>Other Revenue by source</b>										
Advertising income										
Building Plans and servitudes										
Cemetery										
Dumping Fees										
Hall Fees										
SARS										
Sundry Income										
Other Income										
Refuse Removal Ubuhlebezwe										
Traffic Fines & Learnes licence										
Legal Fees Income										
Proceeds on disposal of assets & Insurance Claim										
Total 'Other' Revenue	3									
	1									
<b>EXPENDITURE ITEMS:</b>										
<b>Employee related costs</b>										
Basic Salaries and Wages	2									
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										

Motor Vehicle Allowance		1 052		1 733	1 656	2 520	2 520	2 520	2 520	2 696	2 896
Cellphone Allowance					240	503	503	503	503	538	578
Housing Allowances		932		1 098	1 045	1 133	1 133	1 133	1 162	1 243	1 335
Other benefits and allowances		439		1 830	159	3 092	3 092	3 092	3 234	3 460	3 717
Payments in lieu of leave											
Long service awards											
Post-retirement benefit obligations											
<b>sub-total</b>	4										
<u>Less: Employees costs capitalised to PPE</u>	5	32 555	39 719	45 636	50 011	56 492	56 492	56 492	60 215	64 430	69 198
<b>Total Employee related costs</b>	1	32 555	39 719	45 636	50 011	56 492	56 492	56 492	60 215	64 430	69 198
<u>Contributions recognised - capital</u>											
<i>List contributions by contract</i>											
<b>Total Contributions recognised - capital</b>		-	-	-	-	-	-	-	-	-	-
<u>Depreciation &amp; asset impairment</u>											
Depreciation of Property, Plant & Equipment		31 949	15 384	34 984	36 965	39 837	39 837	39 837	39 837	42 307	44 803
Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE											
<b>Total Depreciation &amp; asset impairment</b>	10	31 949	15 384	34 984	36 965	39 837	39 837	39 837	39 837	42 307	44 803
<u>Bulk purchases</u>											
Electricity Bulk Purchases											
Water Bulk Purchases											
<b>Total bulk purchases</b>	1	-	-	-	-	-	-	-	-	-	-
<u>Transfers and grants</u>											
Cash transfers and grants		172	781	-	20 900	20 900	20 900	20 900	26 575	11 673	21 771
Non-cash transfers and grants		513	2 147	-	3 000	3 000	3 000	3 000	4 047	4 298	4 551
<b>Total transfers and grants</b>	1	685	2 928	-	23 900	23 900	23 900	23 900	30 622	15 970	26 322
<u>Contracted services</u>											
<i>List services provided by contract</i>											
<i>Qinisele Security - khuselani</i>			4 034		4 600	4 628	4 628	4 628	5 700	6 053	6 411
<i>Equastra Fleet</i>										-	-

**Table 64 MBRR Table SA1 - Supporting detail to budgeted financial performance(Continued)**

<b>Other Expenditure By Type</b>	-										
Collection costs					700	765	765	765	60	64	67
Contributions to 'other' provisions					5 500	4 500	4 500	4 500	3 000	3 186	3 374
Consultant fees					8 775	8 844	8 844	8 844	15 750	16 727	17 713
Audit fees					2 500	2 500	2 500	2 500	2 000	2 124	2 249
General expenses	3	45 208	40 155	71 034	21 821	21 103	21 103	21 103	21 964	23 326	24 702
<i>Conference Fees</i>					700	410	410	410	530	563	596
<i>Electricity</i>					2 500	3 600	3 600	3 600	3 000	3 186	3 374
<i>Intergrated National Electrification</i>						-	-	-	-	-	-
<i>Entertainment</i>					2 735	3 742	3 742	3 742	2 770	2 942	3 115
<i>Insurance</i>					800	800	800	800	800	850	900
<i>IT Software</i>					2 500	518	518	518	100	106	112
<i>Legal Fees</i>					1 000	800	800	800	1 000	1 062	1 125
<i>Material &amp; Stores</i>					2 300	1 894	1 894	1 894	7 925	8 416	8 913
<i>Motor Vehilce Fuel &amp; Oil</i>					1 550	1 550	1 550	1 550	2 250	2 390	2 530
<i>Post and Telephone</i>					2 010	2 654	2 654	2 654	2 410	2 559	2 710
<i>Printing &amp; Stationery</i>					1 616	1 663	1 663	1 663	2 180	2 315	2 452
<i>Subsistance and Travelling</i>					3 750	5 254	5 254	5 254	4 650	4 938	5 230
<i>Leave Reserve</i>					700	-	-	-	600	637	675
<i>Training External</i>					900	900	900	900	1 000	1 062	1 125
<i>Transportation Costs</i>					1 462	1 527	1 527	1 527	1 610	1 710	1 811
<i>Uniform</i>					600	560	560	560	800	850	900
Audio and Video					885	610	610	610	725	770	815
Hired Facilities					398	338	338	338	785	834	883
SALGA					600	500	500	500	600	637	675
Indigent Support (FBS)					3 000	3 339	3 339	3 339	1 425	1 513	1 603
Expanded Public Works					2 400				1 599	1 698	1 798
Finance Charges											
<b>Total 'Other' Expenditure</b>	1	45 208	40 155	71 034	71 702	68 372	68 372	68 372	79 533	84 465	89 448

<b>Repairs and Maintenance by Expenditure Item</b>	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		4 841	5 891		13 690	12 105	12 105		15 190	16 132	17 084
<b>Total Repairs and Maintenance Expenditure</b>	9	4 841	5 891	-	13 690	12 105	12 105	-	15 190	16 132	17 084



**Table 47 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)**

KZN435 Umzimkhulu - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref	Vote 1 - Executive & Council	Vote 2 - Budget & Treasury Office	Vote 3 - Corporate Services	Vote 4 - Community & Social Services	Vote 5 - Strategic Planning	Vote 6 - Infrastructur e	Vote 7 - [NAME OF VOTE 7]	Vote 8 - [NAME OF VOTE 8]	Vote 9 - [NAME OF VOTE 9]	Vote 10 - [NAME OF VOTE 10]	Vote 11 - [NAME OF VOTE 11]	Vote 12 - [NAME OF VOTE 12]	Vote 13 - [NAME OF VOTE 13]	Vote 14 - [NAME OF VOTE 14]	Vote 15 - [NAME OF VOTE 15]	Total
<b>R thousand</b>	<b>1</b>																
<b>Revenue By Source</b>																	
Property rates			10 380														10 380
Property rates - penalties & collection charges																	-
Service charges - electricity revenue																	-
Service charges - water revenue																	-
Service charges - sanitation revenue																	-
Service charges - refuse revenue					830												830
Service charges - other																	-
Rental of facilities and equipment							1 131										1 131
Interest earned - external investments			4 000														4 000
Interest earned - outstanding debtors			120														120
Dividends received																	-
Fines					900												900
Licences and permits					450												450
Agency services																	-
Other revenue			320		1 590	122	112										2 144
Transfers recognised - operational		30 479	24 684	22 859	22 600	13 815	69 001										183 438
Gains on disposal of PPE																	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>30 479</b>	<b>39 504</b>	<b>22 859</b>	<b>26 370</b>	<b>13 937</b>	<b>70 244</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>203 393</b>
<b>Expenditure By Type</b>																	
Employee related costs		6 842	8 895	9 639	14 631	6 003	14 206										60 215
Remuneration of councillors		15 712															15 712
Debt impairment			3 000														3 000
Depreciation & asset impairment		1 162	224	953	3 692	217	33 588										39 837
Finance charges			60														60
Bulk purchases																	-
Other materials																	-
Contracted services			511	6 363													6 874
Transfers and grants			5 622				25 000										30 622
Other expenditure		10 060	9 469	9 025	11 660	16 420	22 899										79 533
Loss on disposal of PPE																	-
<b>Total Expenditure</b>		<b>33 776</b>	<b>27 781</b>	<b>25 980</b>	<b>29 982</b>	<b>22 640</b>	<b>95 693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235 853</b>
<b>Surplus/(Deficit)</b>		<b>(3 298)</b>	<b>11 723</b>	<b>(3 121)</b>	<b>(3 612)</b>	<b>(8 703)</b>	<b>(25 449)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32 460)</b>
Transfers recognised - capital							39 743										39 743
Contributions recognised - capital																	-
Contributed assets																	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(3 298)</b>	<b>11 723</b>	<b>(3 121)</b>	<b>(3 612)</b>	<b>(8 703)</b>	<b>14 294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 283</b>

**Table 48 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

KZN435 Umzimkhulu - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

K24v435 Onzinkhulu - Supporting Table SA3 Supporting Detail to Budgeted Financial Position									2016/17 Medium Term Revenue & Expenditure Framework		
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome			
R thousand											
<b>ASSETS</b>											
<u>Call investment deposits</u>											
Call deposits < 90 days		37 221	51 565	68 271	10 450	33 874	33 874	33 874	38 617	41 012	43 431
Other current investments > 90 days				25 000	41 716	36 918	36 918	36 918	28 986	30 784	32 600
Total Call investment deposits	2	37 221	51 565	93 271	52 166	70 792	70 792	70 792	67 604	71 795	76 031
<u>Consumer debtors</u>											
Consumer debtors		4 174	3 640	2 759	2 640	4 538	4 538	4 538	6 000	6 372	6 748
<u>Less: Provision for debt impairment</u>					(601)	(2 500)	(2 500)	(2 500)	(3 000)	(3 186)	(3 374)
Total Consumer debtors	2	4 174	3 640	2 759	2 038	2 038	2 038	2 038	3 000	3 186	3 374
<u>Debt impairment provision</u>											
Balance at the beginning of the year						(2 852)	(2 852)	(2 852)	7 966	3 000	3 186
Contributions to the provision						-	-	-	-	-	-
Bad debts written off						5 352	5 352	5 352	(4 966)	186	188
Balance at end of year		-	-	-	-	2 500	2 500	2 500	3 000	3 186	3 374
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		364 755	419 377	431 035	727 801	727 801	701 219	701 219	688 114	730 777	773 892
Leases recognised as PPE	3					-	-	-	-	-	-
<u>Less: Accumulated depreciation</u>					188 330	206 910	231 784	231 784	195 703	207 837	220 099
Total Property, plant and equipment (PPE)	2	364 755	419 377	431 035	539 472	520 891	469 435	469 435	492 410	522 940	553 793
<b>LIABILITIES</b>											
<u>Current liabilities - Borrowing</u>											
Short term loans (other than bank overdraft)				10 000	10 000	10 000	10 000	10 000	-	-	-
Current portion of long-term liabilities											
Total Current liabilities - Borrowing		-	-	10 000	10 000	10 000	10 000	10 000	-	-	-
<u>Trade and other payables</u>											
Trade and other creditors		12 248	12 107	11 249	6 969	6 969	6 969	6 969	10 124	10 752	11 386
Unspent conditional transfers		10 857	8 852	20 168					-		
VAT											
Total Trade and other payables	2	23 105	20 959	31 417	6 969	6 969	6 969	6 969	10 124	10 752	11 386
<u>Non current liabilities - Borrowing</u>											
Borrowing	4			1 137							
Finance leases (including PPP asset element)											
Total Non current liabilities - Borrowing		-	-	1 137	-	-	-	-	-	-	-
<u>Provisions - non-current</u>											
Retirement benefits											
List other major provision items											
Refuse landfill site rehabilitation				2 238							
Other		1 955	2 490		2 500	2 500	2 500	2 500	2 500	2 655	2 812
Total Provisions - non-current		1 955	2 490	2 238	2 500	2 500	2 500	2 500	2 500	2 655	2 812
<b>CHANGES IN NET ASSETS</b>											
<u>Accumulated Surplus/(Deficit)</u>											
Accumulated Surplus/(Deficit) - opening balance		337 957	401 045						497 283	528 115	559 273
GRAP adjustments											
Restated balance		337 957	401 045	-	-	-	-	-	497 283	528 115	559 273
Surplus/(Deficit)		66 327	84 426	38 613	30 890	30 178	30 178	30 178	7 283	8 226	7 025
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	404 284	485 471	38 613	30 890	30 178	30 178	30 178	504 566	536 341	566 299
<u>Reserves</u>											
Housing Development Fund		21 466	22 389	22 570	33 507	33 507	33 507	33 507	27 845	29 572	31 316
Capital replacement						-	-	-			
Self-insurance						-	-	-			
Other reserves		72 261	72 261		96 555	96 555	45 099	45 099	45 099	47 895	50 721
Revaluation											
Total Reserves	2	93 727	94 650	22 570	130 062	130 062	78 606	78 606	72 944	77 467	82 037
TOTAL COMMUNITY WEALTH/EQUITY	2	498 011	580 121	61 183	160 952	160 240	108 784	108 784	577 511	613 808	648 336

**Table 49 MBRR Table SA9 – Social, economic and demographic statistics and assumptions**

KZN435 Umzimkhulu - Supporting Table SA9 Social, economic and demographic statistics and assumptions

Description of economic indicator	Ref.	Basis of calculation	2001 Census	2007 Survey	2011 Census	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
<b>Demographics</b>												
Population			174	243		180	180	180				
Females aged 5 - 14			50	59		45	45	45				
Males aged 5 - 14			34	46		35	35	35				
Females aged 15 - 34			39	24		42	42	42				
Males aged 15 - 34			50	19		33	33	33				
Unemployment			85	126		55	55	55				
<b>Monthly household income (no. of households)</b>	1, 12											
No income						22 538	22 538	22 538	22 538	22 538	22 538	22 538
R1 - R1 600						3 786	3 786	3 786	3 786	3 786	3 786	3 786
R1 601 - R3 200						1 803	1 803	1 803	1 803	1 803	1 803	1 803
R3 201 - R6 400						1 983	1 983	1 983	1 983	1 983	1 983	1 983
R6 401 - R12 800						1 082	1 082	1 082	1 082	1 082	1 082	1 082
R12 801 - R25 600						361	361	361	361	361	361	361
R25 601 - R51 200												
R52 201 - R102 400												
R102 401 - R204 800												
R204 801 - R409 600												
R409 601 - R819 200												
> R819 200												
<b>Poverty profiles (no. of households)</b>												
< R2 060 per household per month	13											
Indigent only billed <R2 500	2					546.00	470.00					
<b>Household/demographics (000)</b>												
Number of people in municipal area			174 339	243 242		250	180					
Number of poor people in municipal area			194 594	194 594		195						
Number of households in municipal area			36 141	50 364		50						
Number of poor households in municipal area				37 013		37						
Definition of poor household (R per month)			HH earning <	HH earning <		HH earning < R1600/Month						
<b>Housing statistics</b>	3											
Formal			35 419	49 356		49 356						
Informal			722	1 007		1 007						
<b>Total number of households</b>			36 141	50 363	-	50 363	-	-	-	-	-	-
Dwellings provided by municipality	4		3 510	3 510		3 510						
Dwellings provided by province/s			3 510	3 510		3 510						
Dwellings provided by private sector	5											
<b>Total new housing dwellings</b>			7 020	7 020	-	7 020	-	-	-	-	-	-
<b>Economic</b>	6											
Inflation/inflation outlook (CPIX)							5.8%	5.6%	5.4%	6.6%	6.2%	5.9%
Interest rate - borrowing									7.8%	7.8%		
Interest rate - investment									7.0%	6.5%	6.9%	7.0%
Remuneration increases												
Consumption growth (electricity)												
Consumption growth (water)												
<b>Collection rates</b>	7											
Property tax/service charges									86.0%	86.0%	86.0%	86.0%
Rental of facilities & equipment									100.0%	100.0%	100.0%	100.0%
Interest - external investments									7.1%	7.8%		
Interest - debtors									6.0%	6.0%	6.0%	6.0%
Revenue from agency services												

<b>KwaZulu Natal: Umzimkhulu Municipality(KZN435) - Schedule of Service Delivery Standards Table 50</b>	
<b>Description</b>	
<b>Standard</b>	<b>Service Level</b>
<b>Solid Waste Removal</b>	
Premise based removal (Residential Frequency)	once per week and twice per week
Premise based removal (Business Frequency)	Daily, once per week and twice per week
Bulk Removal (Frequency)	Daily
Removal Bags provided(Yes/No)	Yes
Garden refuse removal Included (Yes/No)	Yes
Street Cleaning Frequency in CBD	Daily/ ongoing
Street Cleaning Frequency in areas excluding CBD	once per week
How soon are public areas cleaned after events (24hours/48hours/longer)	24hrs
Clearing of illegal dumping (24hours/48hours/longer)	48hrs/longer
Recycling or environmentally friendly practices(Yes/No)	Yes
Licensed landfill site(Yes/No)	No
<b>Water Service</b>	
Water Quality rating (Blue/Green/Brown/NO drop)	
Is free water available to all? (All/only to the indigent consumers)	
Frequency of meter reading? (per month, per year)	
Are estimated consumption calculated on actual consumption over (two month's/three month's/longer period)	
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	
<b><i>Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)</i></b>	
One service connection affected (number of hours)	
Up to 5 service connection affected (number of hours)	
Up to 20 service connection affected (number of hours)	
Feeder pipe larger than 800mm (number of hours)	
What is the average minimum water flow in your municipality?	
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	
How long does it take to replace faulty water meters? (days)	
Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)	
<b>Electricity Service</b>	
What is your electricity availability percentage on average per month?	
Do your municipality have a ripple control in place that is operational? (Yes/No)	
How much do you estimate is the cost saving in utilizing the ripple control system?	
What is the frequency of meters being read? (per month, per year)	
Are estimated consumption calculated at consumption over (two month's/three month's/longer period)	

On average for how long does the municipality use estimates before reverting back to actual readings? (months)	
Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)	
Are accounts normally calculated on actual readings? (Yes/no)	
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	
How long does it take to replace faulty meters? (days)	
Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)	
How effective is the action plan in curbing line losses? (Good/Bad)	
How soon does the municipality provide a quotation to a customer upon a written request? (days)	
How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days)	
How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)	
How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)	
<b>Sewerage Service</b>	
Are your purification system effective enough to put water back in to the system after purification?	
To what extend do you subsidize your indigent consumers?	
<b>How long does it take to restore sewerage breakages on average</b>	
Severe overflow? (hours)	
Sewer blocked pipes: Large pipes? (Hours)	
Sewer blocked pipes: Small pipes? (Hours)	
Spillage clean-up? (hours)	
Replacement of manhole covers? (Hours)	
<b>Road Infrastructure Services</b>	
Time taken to repair a single pothole on a major road? (Hours)	Minimum 1hr per square meter
Time taken to repair a single pothole on a minor road? (Hours)	Minimum 1hr per square meter
Time taken to repair a road following an open trench service crossing? (Hours)	Minimum 2hr per square meter
Time taken to repair walkways? (Hours)	Minimum 1hr per square meter
<b>Property valuations</b>	
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	1 month
Do you have any special rating properties? (Yes/No)	no
<b>Financial Management</b>	
Is there any change in the situation of unauthorised and wasteful expenditure over time?	No

(Decrease/Increase)	
Are the financial statement outsourced? (Yes/No)	No
Are there Council adopted business process restructuring the flow and management of documentation feeding to Trial Balance?	Yes
How long does it take for an Tax/Invoice to be paid from the date it has been received?	30 days
Is there advance planning from SCM unit linking all departmental plans quarterly and annually including for the next two to three years procurement plans?	1 yr
<b>Administration</b>	
Reaction time on enquiries and requests?	48hrs
Time to respond to a verbal customer enquiry or request? (working days)	48hrs
Time to respond to a written customer enquiry or request? (working days)	48hrs
Time to resolve a customer enquiry or request? (working days)	48hrs
What percentage of calls are not answered? (5%,10% or more)	5 percent
How long does it take to respond to voice mails? (hours)	Never Happen
Does the municipality have control over locked enquiries? (Yes/No)	Yes
Is there a reduction in the number of complaints or not? (Yes/No)	Yes
How long does it take to open an account to a new customer? (1 day/ 2 days/ a week or longer)	1 day
How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings?	When there is a delay
<b>Community safety and licensing services</b>	
How long does it take to register a vehicle? (minutes)	5 minutes
How long does it take to renew a vehicle license? (minutes)	5 minutes
How long does it take to issue a duplicate registration certificate vehicle? (minutes)	5 weeks
How long does it take to de-register a vehicle? (minutes)	5 minutes
How long does it take to renew a drivers license? (minutes)	20 minutes
What is the average reaction time of the fire service to an incident? (minutes)	Instant time
What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)	n/a
What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	n/a
<b>Economic development</b>	
How many economic development projects does the municipality drive?	25 developments projects
How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	5 catalytic programs
What percentage of the projects have created sustainable job security?	20 percent
Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)	No
<b>Other Service delivery and communication</b>	
Is a information package handed to the new customer? (Yes/No)	Yes
Does the municipality have training or information sessions to inform the community? (Yes/No)	Yes

Are customers treated in a professional and humanly manner? (Yes/No)	Yes
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**Municipal manager's quality certificate**

I **Zweliphansi Stanley Sikhosana** municipal manager of UMzimkhulu Municipality, hereby certify that the draft budget 2016/2017 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name **Zweliphansi Stanley Sikhosana**

Municipal manager of UMzimkhulu Municipality (KZN435)

Signature \_\_\_\_\_

Date **24 March 2016**